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Milk marketing revolution stalled by T & I

by Warren Berryman

TWO Government departments are disputing whether to allow two privately owned industrial giants to spend their own money to launch a new product.

The product: flavoured milk and fruit juice in cardboard cartons.

The companies, UEB Industries, which wants to manufacture the cartons, and New Zealand Forest Products, which is developing local production of the highly specialised cardboard for carton manufacture.

Waiting anxiously in the wings is Alex Harvey Industries, whose monopoly on the glass bottle market is threatened by cardboard containers.

The Government departments: Trade and Industry, which opposes the project and has the power to grant or refuse import licences for the carton filling plant, and Agriculture and Fisheries, which favours the carton concept as a marketing tool to boost this country's flagging milk sales.

After holding up production for nearly 18 months, Trade and Industry passed the buck to Agriculture and Fisheries, which must prove to Trade and Industry that cardboard cartons are of "national benefit".

Hanging in the balance, apart from the few hundred thousand dollars of private capital already invested researching the product, is the prospect of increased milk sales, and up to $5 million in exports of Forest Products' carton cardboard a year to Australia.

Also in the balance is a new joint venture between the Cook Islands and Oasis Industries to process and market island fruit juices in cardboard cartons, on the domestic and export markets.

UEB has been working on the project for five years and has been negotiating with Trade and Industry for 18 months.

A Trade and Industry source summed up his department's attitude by asking: "What's wrong with glass bottles?"

According to this source, Trade and Industry's concerns are:

● UEB and Forest Products want an initial shipment of cardboard blanks to be imported to get the scheme off the ground. Trade and Industry, unsure of Forest Products' ability to produce the cardboard locally, fears this initial importation might create a market demand and lead to further imports—rather than local production.

● Trade and Industry asks why the consumer should pay two to three cents more for his milk in a carton and the department fears that the extra cost might be charged to the milk subsidy.

● AHI's glass bottle manufacturing sales might be hurt by UEB's cardboard containers.

The increased recycling of bottles, the source said, had curtailed AHI's new bottle sales. And UEB's plastic bag in a box wine carafes each replaced six wine bottles.

UEB managing director Rob Tedcastle emphasised that the cartons were intended to create a new market for flavoured milk and not to replace the traditional milk bottle.

Attractive carton design would promote flavoured milk as a fun drink giving consumers and distributors a choice.

There was no question of the packaging costs coming out of the milk subsidy, Tedcastle said.

UEB has a joint marketing deal with J Gadston and Co—the Australian licencee for Ex-Cello Corp of the United States, which produces the pure-pac cartons.

Pure-pac's promotion of flavoured milk in Victoria boosted milk sales to a point where they cut into 23 per cent of the soft drink market, generating $18 million extra milk sales, he said.

Tedcastle said UEB had a dozen local distributors already interested in the cartons. These included milk corporations and Oasis Industries.

New Zealand milk sales have dropped with each reduction in the subsidy and subsequent price increase. Consumption dropped from 142 litres per capita to 134 litres per capita between 1972 and 1978.

The milk corporations which are interested in the cardboard cartons, see the concept as a means of boosting sales.

Other advantages of cardboard cartons are:

● Less weight and lower transport costs than bottled milk;

● No returns and no bottlewashing;

● Cardboard cartons are more compact and easier to store, offering a premium to the distributor because it saves on expensive chiller space;

● It saves on chilled shelf space for the retailer.

● The machinery required for carton filling is much cheaper than the combined filling and washing plant needed for bottled milk—a major consideration for milk distributors, because their existing bottling plant needs replacement.

The carton scheme found favour with Agriculture Under-Secretary Rob Talbot. Just before the Government cut back the $55 million milk subsidy and the milk price was increased early this year, Talbot was quoted in the New Zealand Herald as saying that "milk in pint bottle form, is the most unattractive method of presentation you can imagine".

Talbot cited the Australian example of increased milk sales through cardboard cartons and advocated this form of packaging here.

Oasis Industries has a joint venture with the Cook Island Government and growers to process and market island oranges, pineapples, lemons, and grapefruit.

It wants to produce both pure Cook Islands fruit juices, and blends of it with New Zealand juice, for the local market and for export.

This venture hinges on availability of UEB's pure-pac cartons. The advantages of cardboard cartons, as seen by Oasis, are essentially the same as those seen by the milk corporations.

"If we can't get the pure-pacs the whole fruit juice business will have to be reassessed", said Oasis Marketing Manager Jeremy Irwin.

To get carton production underway UEB would have to invest about $1 million in machinery. The distributors would need filling and sealing machines costing from $40,000 for a 18 unit-a-minute machine to $150,000 for a 100 unit-a-minute machine.

Forest Products has been developing a capability to produce the specialised cardboard to make the cartons. It now feels it can produce the board on one of its paper machines at Kinleith, and plan a trial run next month.

For Forest Products production of the specialised cardboard hinges on volume throughput—and this means exports.

The Australians import all of this type of cardboard from the United States and Scandinavia—some 40,000 tonnes a year at a cost of $850 a tonne.

Forest Products hopes to capture half of this market in time. It has talked with the two major Australian users—Pure-pac and Tetra-pac.

The next move is over to Trade and Industry, where—as the Trade and Industry source put it—the scheme "is on ice until Agriculture and Fisheries prove it to be to the national benefit".

THE competing cases of UEB and AHI — Pages 6 and 7.

NBR CHARGES

The cover and subscription prices of National Business Review will be increased from 40 cents to 60 cents and from $15 per year to $20 per year from May 1.

The increase results from dramatic rises in production and distribution costs. Fourth Estate Newspapers regret the need for these new rates but point out that it is more than 12 months since the cover price was lifted and 2 years since the annual subscription price was increased.

Some readers have, over the past six months, suffered annoying disruptions in deliveries and the charging of subscriptions. These have probably resulted from changes in the programs used to administer the paper's subscription system. We are confident that most of these difficulties have now been resolved but any NBR subscribers still experiencing problems should fill in the grievance form on page 3 and we will cross check to ensure that in future subscription difficulties, unless caused by postal service or some other external factors, are corrected.

We regret the need for increased charges and apologise for inconveniences caused by subscription delays or disruptions.

Inside:

It's time for some changes out in party land

by Colin James

IT IS conference time again in politics. Time for a sea of conflicting remits amidst a welter of gladhanding and reflected glory. Time for exhortations and backbiting. Time for elections.

Elections are always the most fun and this month there are some of more than usual interest.

First up is the Federation of Labour presidency this week. The FOL is a pressure group, not a political party, but a widely shared membership with the Labour Party makes it a semi-constituent conference of that party.

Sir Tim Skinner resisted too close a relationship with the Labour Party, of which at times he was openly contemptuous. The Joint Council of Labour, which is supposed to link party with federation, rarely met while he was president, largely because he was seldom available.

Skinner was a Labour backbencher in Parliament from 1946 to 1949 (for Tamaki, would you believe?) But by the time the present member for Tamaki had made it to the prime minister's suite, Sir Tom had spread his eggs. He was a one-man political wheedling machine.

No FOL president these days can be a one-basket man. But the new president will almost certainly improve the links with the Labour Party.

And to underline the point, the conference was due to discuss a remit from the Wellington and Taranaki Caretakers and Cleaners Union demanding much closer links.

The caretakers and cleaners wanted joint committees between the party and federation at all levels of the two organisations "to initiate a broad joint campaign around policies that are progressive and practical".

But this matey resolution had a sting in its tail which demonstrates the gulf between some sections of the union movement and the Labour Party.

It wanted a future Labour Government to implement clause 3(j) of the FOL constitution: ". . . to work for a more equitable share of the national income and ultimately production for social use and not for private profit".

This clause is a mild throwback to the days when both the FOL and the Labour Party believed — or said they believed — in the socialisation of the means of production, distribution and exchange.

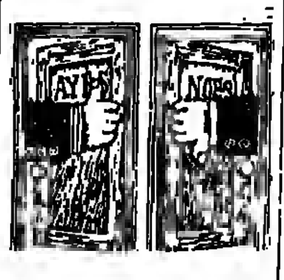
Since then, the FOL has become a "share-of-the-capitalist-cake" organisation and the Labour Party has gone "democratic socialist", which means it accepts the mixed economy — and the mixed economy includes profit for capitalists.

To make the point even more starkly, the two contenders for the Labour Party presidency are themselves capitalists, who've both taken their share of profits out of the economy in their time.

Pieman Joe Walding made a packet out of his family catering firm. Jim Anderton has done well enough out of light metal manufacturing to be able to offer himself on a virtually fulltime basis.

While no one would deny them the grace of altruism, it is hard to see either enthusiastically pushing through a "social use" plank for the Labour Party's 1981 platform.

In fact, regardless of which one wins the election, the party's policymakers are



POLITICS

more likely to be opportunistic than doctrinaire in their appeal to the electorate in an election in which they have only to make small gains to be the Government.

Unless, of course, the rank and file revolution against the parliamentary cabal succeeds and is followed through.

At the regional conferences in February the parliamentary party was told in unmistakeable terms that the party outside wanted more say in policymaking and government of the organisation.

Unless there has been a dramatic change of heart, branch membership representatives at the conference this month will vote decisively against allowing members of Parliament to be president and probably in favour of party — and not caucus — control of the policy council.

After the regional conferences, Walding's best hope for election lay in the unions coming to his rescue at the full conference. On organisational matters the unions have traditionally backed the platform and the status quo.

But Drivers' Federation secretary Stu McCaffley threw a spanner into that when he withdrew from the presidency race and urged unionists to vote for Anderton. The conservative unions, such as the engineers, might yet save Walding, but that, too, looked dicey last week.

The engineers left the Labour Party in 1975 because they felt the Labour Government had not heeded unionists enough. They came back only this year and might not yet be ready to repose their trust in an MP.

On the other hand, long memories might inhibit them from voting for Anderton. As secretary of the Auckland regional council in 1967, he put forward a plan to reduce union voting power in the party. For a long time he was persona non grata with the unions, but memories have faded and in any case what he then proposed has now pretty well come about.

So it looked last week as if Labour might get its ersatz Chapman — a symbol of the party confusedly reasserting itself against the revisionists in the parliamentary club, in the hope that repairs to the pink jalopy might get it to go fast enough to beat the blue Holden round the next corner.

Meanwhile the back-seat drivers in the blue Holden are getting restless, too. They can remember when they had a Jaguar to ride in which could beat the Labour rattletrap at half-throttle.

So up and down the country at the party's five divisional meetings this month, rank and file Nationalists will be calling for a repaint to get rid of the splashes of pink that have been daubed on by the left-hand driver from Tamaki.

They will also be making preliminary choices about who the president should be next year if George Chapman really does go.

In Auckland, Stuart Masters looks unassailable at this stage as divisional chairman and nominee next year for the presidency.

But there are many in the party who feel Masters would let the organisation slip back into the role of servant to the parliamentary party rather than, as Chapman has striven for, that of its master.

Watch, therefore, whether former Wellington divisional chairman Egan Ogier will pop up somewhere this month.

None of the sitting chairmen from Waikato, Wellington and Canterbury-Westland are in the race. Otago-Southland will this month elect a new chairman to replace Dorothy McNab, so it is a doubtful source of presidential nominees, though one of the candidates for chairman, Ken Scott, is already a member of the dominion executive and is not short of ability.

There will be more than usual interest, therefore, in the performance of divisional vice-chairmen, especially if divisions are looking towards the post-Masters presidency. For that reason there will be considerable interest in who

JIM ANDERTON . . . Long memories might lose him votes.

will replace retiring Julian Watts in Wellington.

Not to be left out, miniscule Values has its presidential election, too. David Woodhams has said he is giving up as "chairer".

Values is also putting up for election its leader and deputy leader posts, since deputy leader Margaret Crozier, once of the Labour Party and believer that political parties are about power, is challenging incumbent Tony Kunowski who has seemed more of a consensus chairman than a leader, a little apologetic about the fact that it is politics Values is involved in rather than something nicer.

The only party without presidential worries at the moment is Social Credit. But that is because it is not holding its conference until August.

And then George Bryant, whose organising skill and energy were critical to the league's ability to ride the wave last year, is considering stepping down to pursue his teaching career, now being within reach of a principalship.

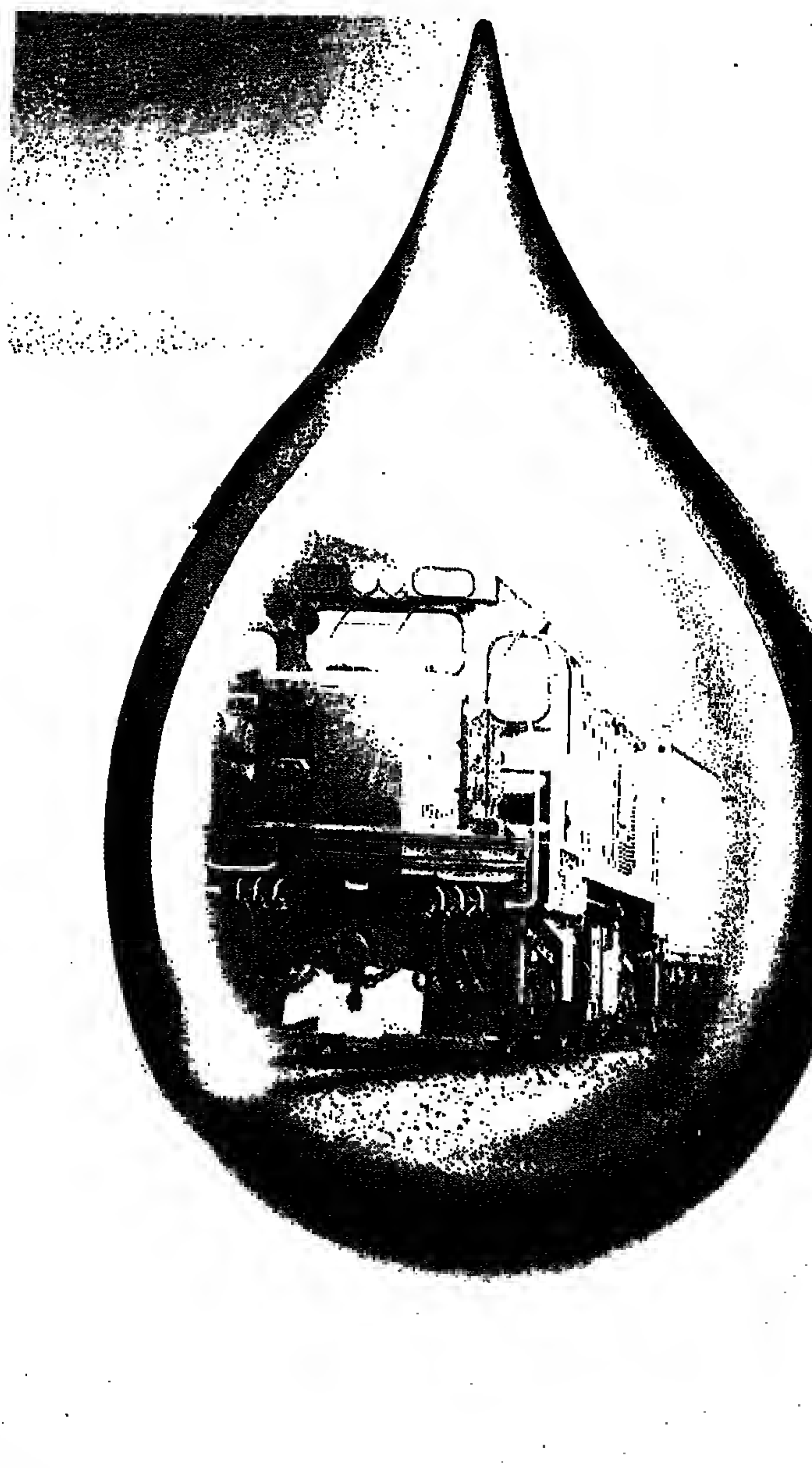
New presidents of the Federation of Labour and the Labour Party, maybe a new one for Social Credit, the beginnings of next year's race for a president for National and changes in the offing for Values.

The Federation of Labour may not have followed overseas labour practice of a May

JOE WALDING . . . [illegible] of capitalist profits.

Day march to mark its conference opening on May [illegible] by the end of the month political scene is going [illegible] a bit like a game of [illegible] chairs has been going [illegible]

By then the semi-perma[illegible] six-month conference [illegible] Parliament Hill will [illegible] begun. Of course, Parlia[illegible] is important, but the vital[illegible] the system lies on the floo[illegible] the meetings this month.



US appetite for beef offers farmers an escape

by John Draper

AMERICA'S insatiable appetite for beef might let New Zealand make a quick killing and escape from the counter cyclical pen.

The ups and downs in American production are quickly followed in New Zealand with little long term gain either for farmers or the balance of payments.

American beef production is down by 20 per cent and likely to stay that way for the next five years.

For New Zealand farmers, it should be a sizzling Eldorado as prices climb—or at least remain high—and America opens the gate on beef imports.

Meat exporters are confident another 50,000 tonnes of beef could be exported, worth, at current New York prices, at least $150 million.

But falling production makes it doubtful that New Zealand will be able to meet the increased quota it will almost certainly get next year.

Like the United States, Australia and Canada, it too is on the same beef cycle. Cattle numbers climbed in the early 1970s as they did in the other three countries.

In five years American cattle herds rapidly increased by 20 million to 132 million. But in the following four years to the beginning of 1979, the fall was even more dramatic.

No one reason stands out. Rising oil prices played a part. So did the Russians.

Huge quantities of wheat bought at rock bottom prices were shipped to Russia before being sold back to America at a handsome profit in the best capitalist tradition.

Japan's beef blockade has also been widely blamed as the cause. But local meat industry sources contend that the Japanese might have seen the crash and a flood of cheap beef coming and reacted quickly.

Whatever the reasons, farmers began killing stock at a high rate and prices tumbled.

Dry summers in 1975, '76 and '77 accelerated the rundown.

Industry experts in America are billing the fall as "the largest cattle liquidation in our history". Latest reports show the massive slaughter easing and the American cattle herd stabilising at around 110 million.

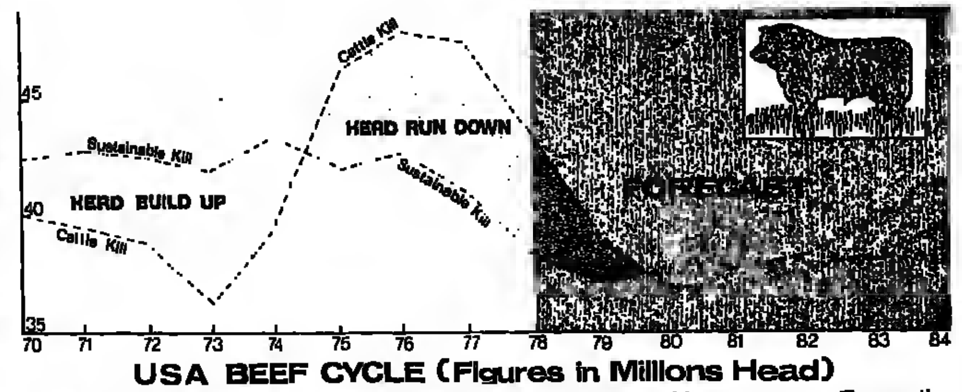
The total American kill for the first 90 days of 1979 was 1.75 million head smaller than for the same time a year earlier.

"This drop, if sustained throughout 1979, will be sufficient to hold the liquidation of our national herd and leave inventories at about the same level as at January 1979," one market report says.

The low kill has sent prices soaring. Manufacturing beef has doubled in price in less than a year and is expected to go even higher.

For beef farmers throughout Australasia and America, it is a dilemma. To sell off stock is to sacrifice possible long-term gains for a short-term profit.

A rapid build-up of American herds, as in the early 1970s, is unlikely. To do so would mean a big drop in the numbers slaughtered, sending prices way beyond what the consumer will pay.



USA BEEF CYCLE (Figures in Millions Head)

High grain prices and sagging farmer confidence are also factors likely to prevent a rapid herd increase.

Already there are indications that American beef-eating tastes are changing.

High prices for traditional roast beef and sirloin steak have made them food for the rich, while the rest of America is turning in favour of cheaper chopped, ground beef.

Pork and chicken consumption are gaining at the expense of beef.

New Zealand's beef cycle is closely geared to the United States market, which takes 85 per cent of our beef exports.

In the early 1970s, beef was thought to be our main export hope as wool and lamb faltered, and the European Economic Community clamped down on dairy imports.

But now sheep farming looks a better long-term proposition as both lamb and wool prices firm. Sheep farmers have also fared better from fluctuating world prices than other sectors.

And despite high beef prices and good medium term prospects, New Zealand farmers who moved to beef are now turning back to sheep.

Borthwicks livestock manager Alec Watson, who is forecasting high American beef prices up to the mid 1980s, is against inducing New Zealand farmers away from sheep back into beef.

"The obvious course is not to interfere in any way with the sheep industry but to try and develop manufacturing beef based on surplus dairy cattle," he said.

And he sees little future in building up prime beef herds. Time works against the beef farmer who needs five years to build up his herd, producing a boom-bust cycle.

Watson points out that one million bobby calves are slaughtered every year yielding only 10,000 tonnes of veal.

"By keeping 400,000 for the next few years we could produce an extra 50,000 tonnes of manufacturing beef very quickly," he said.

And there are already signs of it happening. Bobby calves, the four-day-old waste product of the dairy farm, are now fetching up to $30 each as opposed to next to nothing a year ago.

The 1976 budget introduced a minimum floor price guarantee for bobby calves sold as weaners. Fewer than 150,000 have been registered each year to qualify for an immediate $10 subsidy.

The current minimum price is $60 but at recent auctions top weaners were fetching $200. Export veal prices are also dragging up bobby calf prices to the $30 mark.

The Meat Board is optimistic the high weaner prices will be enough to encourage dairy farmers to raise this year's crop of bobby calves born from August on. Weaner calf sales may need to be organised modelled on the Waikato sales at Frankton.

This year New Zealand's beef quota to the United States has been increased by 300,000 tonnes to 1.54 million tonnes, where it is also expected to remain for 1980.

Meat industry sources expect this level to be New Zealand's minimum quota when counter cyclical legislation is passed by Congress later this year.

An extra quota resulting from the failure of other countries to fulfill their quotas is likely later this year.

Though the Meat Board has kept regular customers like Singapore supplied with prime cuts for the hotel and restaurant trade, other buyers have been turned away.

Greece, Portugal, Spain, Syria and the South Koreans are among those who have left empty-handed or taken less than they sought.

Next year New Zealand's beef production is expected to decline again and our Canadian and American quotas are likely to be unfulfilled.

But with a quick move into manufacturing beef based on bobby calves, production could recover by 1981.

At home, traditional meat-eating habits are likely to be modified by the high prices not only for beef but firming export prices for lamb and mutton.

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EDITORIAL

IF Ministerial rhetoric is any indication, the country's welfare policies are bound to underga a fundamentst averhs ul.

Haslth Minister Gair delivered three speeches last week in which he reiterated warnings he bas sasnded earlier, that we can't afford aar present laval of spending nn public welfare. The naed ta curb health opeading had beeo apparent for saversl years, but till naw tha social services generally had escaped fairly lightly in cost-cutting exercises, be told a pharmaceutical canferenca. And so he was anxious ta cut pharmaceutical spanding.

Ha told the New Zealand Medical Association that spending aa social services had been growing faster than tba growth ts the rest of the economy, and be warned tha Government could only shoulder so much in providing for people's welfare. "Put bluntly, we cannot expect to carry an eight-cylinder social service system on a four-cylinder economic base," said Gair. Ha had a similar message for the Intellectually Haodicapped Society.

He wasn't the only Minister nn the welfare bandwugon. Tourist Minister Cooper told u gathering in Rntorua that for almost 45 years, New Zealand had legislated increasingly to provide new programmes of Government services to its citizens, but the problem naw was that we had created not only an expectation but a damand — "an as of right insistence that the Government will provide". Ecoucmic reality nnw required that "New Zealanders must be weaned off their avaricinus sppetites for health, education and welfare programmes".

Clearly, the public is being cnnditlosed fnr some drastic chasges in the welfare area.

But Cooper also waved tha banner nf private enterprise. He knew he was with people "who share my awa and the Gavernment's dedication lo a strong vigornus system of private onterprise," he declared. The Government had shawed firmly where it stood when the caucus rejected a proposal fnr state sector caurier services, he said. The scheme would have developed a Post Office service as competition tn those businesses already established.

There are clear implications fnr the civil service. Inevitably, staff numbers must be reduced in accord with reductions tn size and scope of state spending. But departmental staff hove already shawn an unhealthy disregard fnr political decisions.

The Post Office Association protested at the courier decision by stopping the special treatment that private couriers had been given tn the past in a move designed to force withdrawal af private companies' opposition ta the Post Office proposals. If the present action isn't ennugh, further moves will be taken by the association's national executive this week. Similarly, proposed changes to train services throughout the country are expected tn provide industrial confrontation. Unions say Silver Star conversion is nat in the national interest, specially in oil crisis. Thus they have vowed not ta allow the Silver Star into workshops to have seats fitted.

All of this raises serious questions. In theory, the public official's responsibility is to assist any constitutionally elected Government in every way possible tn carry out legitimate Government directives. He is expected ta do this in a spirit of sympathy with the policy, whatever his personal views. In brief, he is essentially a servant of the people.

It is the Minister, not the public servant, who represents the popular will and it is his prerogative to interpret the wishes of the public in matters nf policy. The department is the instrument of the Minister; it helps him shape policy and execute it. The responsibility for policy — subject to the nverriding nuthnrity of Cabinet nnd Parliament — is the Minister's, and bis alone.

By abandoning these principles the state unions show that cherished notions of ministerial responsibility are absolete. But those who spend public money should be responsive to the public will and accountable to the public for their decisions if democracy is to have any meaning. Government, civil servants and the public generally should now be anxious to devise more effective constitutional devices tn ensure that this accountability and responsiveness is provided.

Bob Edlin.

THESE days "socialism" is nat the rallying cry it used to be for workers and in New Zealand workers do not march down the streets an May Day (May 1).

Nevertheless, for the past two years the Federation af Labour has opened its conference an May 1. But just to throw people off the socialist scent, its remit paper for this week's conference announces on its front page that the conference will commence an Thursday, May 1.

●

SPECULATION that the Government might release all or part of South Pacific Television to NZ News Ltd (the Auckland Star, Christchurch Star and Vidcom) should have had a couple of ladies gurgling with pleasure.

One, Thea Muldoon, holds 200 shares in NZ News, Mrs George Chapman holds 1331.

Share prices would probably respond nicely for them if their husbands decided that SPTV was to be the first state body to be released to private enterprise.

A slap on the wrist for those naughty TV newsmen and current affairs people would not go amiss in Muldoon's book judging from his recent journalistic efforts in Truth.

And it would show that Muldoon is really getting stuck in and doing something about this private enterprise business — as well as diverting the right wing's gaze from those state bodies that could do with a bit af private enterprise expertise like Petrocorp, the Government Tourist Bureau, the Accident Compensation Commission, or the Ministry of Works.

●

JUST to set the record straight, the Australian pea processor Petersville Ltd was not privileged enough to sit in on the Nafta ministerial talks the other day. Thus it was not "sitting on both sides af the Nafta negotiations table last week", as we reported on April 18.

But the Australians did sit on both sides of the table at the pea and bean conference which set the quotas far trans-Tasman trading in frozen peas. The quota guidelines were agreed to last November by the Australia and New Zealand Pea and Bean Panel, which comprised growers and processors from both countries and Government representatives.

Petersville had a man representing its New Zeland interests on one side of the table for those negotiations and an Australian representative on the other side.

We hove heard that — an the strength of our error — some companies consider that if the Nafta Ministerial talks table is good enough for Petersville, it's good enough for them too. Here's hoping this correction puts a halt to any lobbying they may have launched, to secure an invite to the next bout of Nafta haggling.

PS: And reporter Warren Berryman would like it made known that the error wasn't his.

●

THE Post Office is licking its wounds after the Government thumped its stamp of disapproval an plans to put the state enterprise into competition with private operators in the courier business (a business which is flourishing, incidentally because of Post Office tardiness in the mail-delivery business).

Our advice: stop lamenting what might have been in the courier business and get down to providing a service where you have a monopoly.

We note, far example, a refusal by the Post Office to supply coin-changing machines at Auckland International Airport. Visitors to the airport complain about the lack of 2c coins for telephones, specially at weekends, we hear.

But the Post Office has told the airport committee it cannot provide the machines, specially with the present economic restraints.

Indeed. And the poor old PO made a profit of a pathetic $50 million or so last year.

●

WELLINGTON'S morning newspaper, The Dominion, is toying with the idea of going tabloid again, according to journalistic scuttlebut. Newly installed editor Ted Frost is advocating the change, we hear.

The Dom experimented with the tabloid format (the same as that of Truth and the Sunday Times) a decade ago, but switched back to broadsheet modelled on Rupert Murdoch's The Australian. Sales dropped, particularly among the Hutt Valley and Porirua Basin commuters, after the change to the bigger size.

Dominion sub-editors have been told they have a month to prepare to go tabloid again.

●

TELEVISION revealed some of its plans for restructuring advertising selling at the 4A's conference at Waitangi recently.

A formal announcement is expected in about six weeks.

But the general feeling was that TV One would only be offering network media buys with a possible Auckland breakout. That is, the advertiser would no longer be able to buy a regional ... an TV One.

The Auckland break ... would only allow an advertiser — say someone advertising a cinema — to cover the cost with an ad for one film, ... change the ad for Auckland only to advertise a different film to that particular market.

SPTV would probably ... only regional ads in future.

As for programming, TV ... pushing toward ... plementary viewing. The ... designed to avoid ... programmes aiming at the same audience being shown at the same time.

Admen are calling the ... concept slalom viewing ... the way viewers will duck ... dodge from channel to channel seeking programmes to ... their taste.

●

KEITH Allen, Parliamentary Undersecretary to the Minister of Trade and Industry, had some interesting things to say to the Engine Reconditioners' Association conference in Tauranga last week.

Trouble was, he didn't say them. His speech notes were sanitised some time between their being distributed to Press Gallery journalists and the time of the speech delivery, and four amended pages were hurriedly distributed to replace the originals.

So what was it that Allen was going to say before the change af heart.

First, he said the ... greed of "a few vital unions was lowering the standard ... all New Zealanders. It is frustrating to people ... there is a great feeling of disgust and impatience with these unions. And with the Government too."

In the approved-for-human-consumption version, those last four words were eradicated.

Then he went on about bureaucracy and "everlasting socialist handouts". Both were "costly blindfolds to the realities of life".

"The perfect example is TV ... a monopoly, yet unable to make a profit, a monster created by ourselves, hopelessly inefficient and feeding like all socialist services off its own frightening inefficiencies. Look at the situation. They are overloaded with staff, ignore their customers and now want more licence money to do it. In my own opinion, any private organisation could make a profit and dispense with licence fees as well. But that is just one example af many services that we are carrying by taxation."

The sanitised version dropped all reference to TV as the perfect example. Perhaps because it was the perfect example of political crassness.

TV is a monopoly — rightly or wrongly — because Allen's Government dismantled the competing system which Labour had established.

So in describing "a monster created by ourselves," he was demonstrating a curiously unpolitical contempt far his party's performance.

Of course, he was bang on with his belief that any private organisation could make a profit and dispense with licence fees as well. It could do that by jamming in more commercials, showing nothing but old movies or Packer cricket, and operating out of Auckland to the audience in that region. After all, there's no profit in pushing through costly transmission lines to remote parts of the country when the immediate audience makes money for you.

Is that really the sort of service which Allen is advocating? And does he therefore dissociate himself from his colleagues' costly efforts to push TV2 transmission lines through to parts af the country like Central Otago, the West Coast, the far north and the East Cape?

Whatever else might be the problems of broadcasting administration, that's where much of the money is gobbled up.

Or does his abandonment of references to TV show that Allen somewhat belatedly is beginning to appreciate that fact.

●

AS Air New Zealand battles ta hold its share of the passenger traffic across the Pacific against newcomer Continental Airlines, three freight operators are taking off in the opposite direction.

Auckland-based Air Pegasus and Rural Aviation Ltd are looking no further than Australia with the racehorse charter market, while Christchurch-based Airag Freighters New Zealand Ltd, has more ambitious plans.

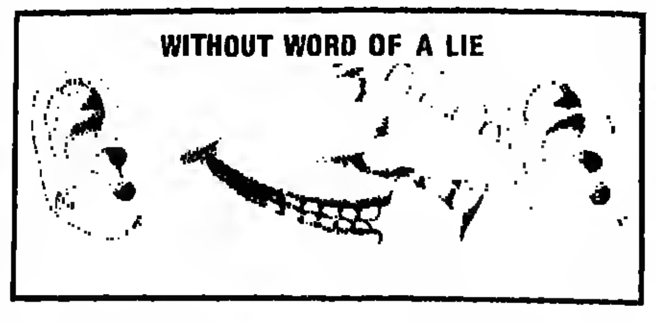
It wants to go worldwide. The rising volume of fresh produce for the oil-rich Persian Gulf is its first target.

Initially all three operators will be chartering aircraft for their services, but Air Pegasus and Airag have long-term ambitions to operate their own.

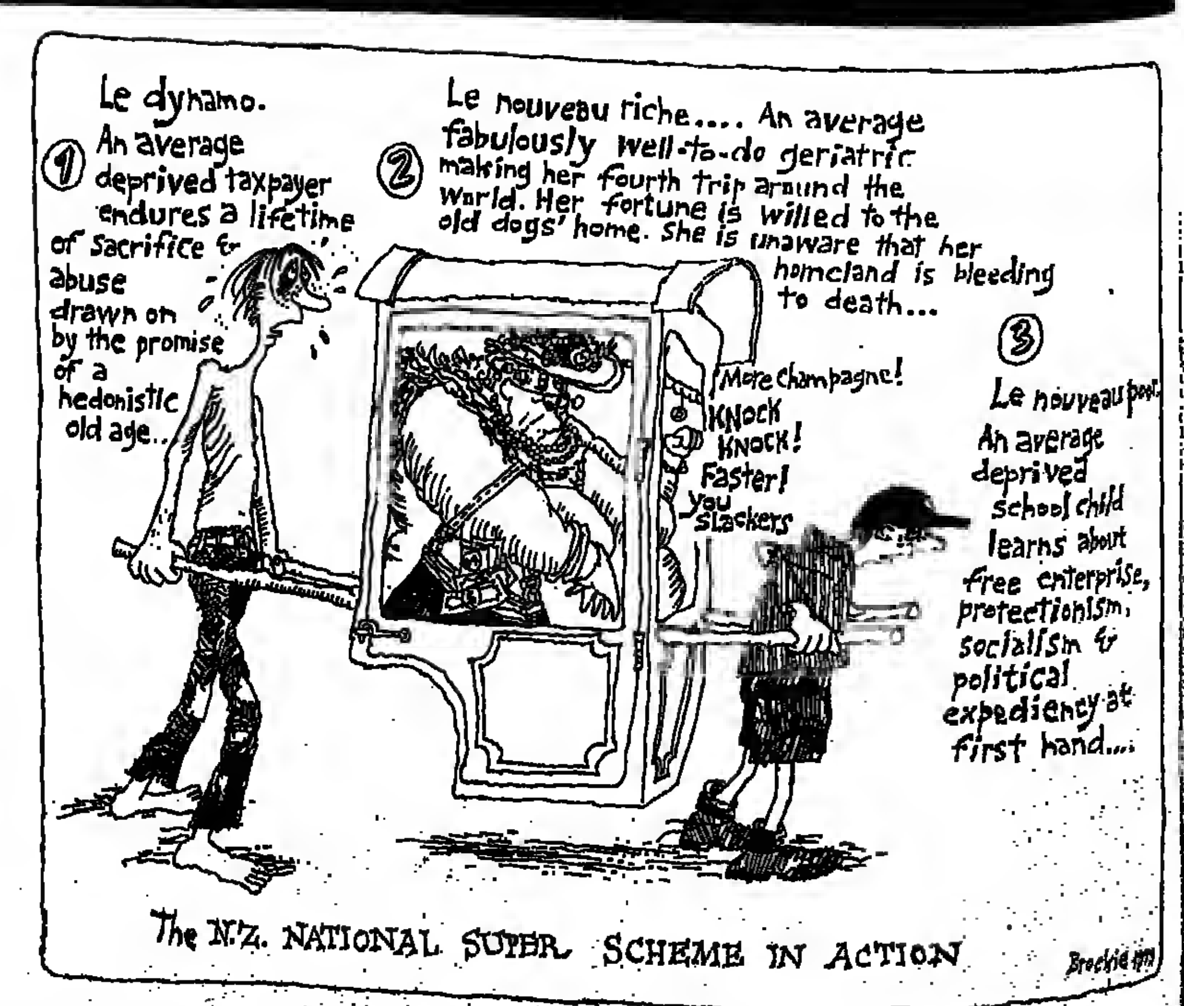
Airag is proposing to use Boeing 707's or DC8's but it has already asked Christchurch City Council to extend the main runway by 1200 metres at Harewood to handle fully-laden Boeing 747 jumbo freighters. The cost will be approximately $6 million shared by the city and Ministry of Transport.

Air Pegasus is the local agent of American freight operator TIA which serves New Zealand on a charter basis. Pan Am offers the only regular all-freight service from Auckland to Los Angeles and Chicago.

Transport Minister McLachlan will consider all three applications next month. Two objections have already been lodged against Airag's proposal.



BROCKIE'S VIEW



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Iran trade eases back into low gear

by Rae Mazengarb

THE effect an New Zealand trade with Iran of Ayatollah Khomeini's Islamic reforms looks like just a hiccup after all.

New Zealand ambassador to Iran, Chris Beeby, is expected back at work in the Teheran Embassy this week and export efforts are getting back into gear.

Trade in dairy products is on the move slowly and Iranian traders are beginning to make contact with wool exporters again.

Both industries are more optimistic about the future of trade in Iran, yet just a few weeks ago the outlook for some $40 million worth of wool and dairy sales looked gloomy.

The key to the revival of trade lies in the shipping services which resumed recently.

Blue Star Shipping line general manager, Bob White said a company ship had already called in Iran and "so far, so good". Another call was made late last week.

The two ships servicing the Middle East are now scheduled back into a monthly service.

The Dairy Board reports sales to Iran are now "on the go again" and had moved stocks from Turkey into Iran. A gradual sales build-up in the last two weeks now puts sales almost an the former trade level.

Before the unrest, the board was confident of achieving the 1979 $20 million sales target, but says it is too soon to say if these estimates will still be achieved.

Given the return to stability, the Iranians are believed to have run their wool stocks down, so there is little wonder Iranian traders have begun to make contact with wool exporters again.

But according to Bill Carter of the Wool Buyers' Association, anyone who thinks there will be a resurgence of trade with Iran in the near future is deluding himself.

"I have no knowledge of any sales to Iran recently but I understand limited bookings have been made for the shipment af wool which was to have been shipped some time ago", said Carter.

According to Carter, those companies who have reopened inquiries have been taking advantage of a bank guaranteeing facility in Europe.

The Blue Star Line is shipping only essential foodstuffs to Iran at present, and this amounted only to a "trickle" of business.

It may be that Iranians will baulk at the new wool prices they will be paying, once the former trading pattern resumes.

The Iranian market is worth nearly $20 million at last year's wool prices, but there has been a dramatic rise in wool prices over the past four months.

The future for an estimated $45 million in meat sales is less certain. The last consignment of meat to Iran was in October last year and there has been no trading since.

A high-powered delegation is arriving in New Zealand this week to see Ministers and meat industry officials. The members will visit freezing works, fish packing plants, sheep, cattle, dairy farms, schools, dairy factories, and Massey University.

Hosted by the NZ Meat Exporters Council in cooperation with Trade and Industry, Foreign Affairs and the Meat Board, the Iranians are not strictly a trade delegation.

According to industry spokesmen they will also look at our education, transportation and fishing systems but they will look closely at primary production, and specifically our export killing facilities.

As for the future: "Until they ask us for a specific order and give us specifications, we don't know", commented one official.

Worldwide flak smashes at glass bottlemakers

by Warren Berryman

GLASS bottle manufacturers are under attack world wide, both from anti-litter environmentalists and from competing plastic and cardboard containers.

Environmental lobbies, both here and in the United States, are pushing for a high deposit on beverage bottles to keep them off the parks and beaches.

Thus they favour glass over disposable alternatives. But this favour is a two-edged sword. Their insistence on returnable containers restricts the glass manufacturer's option to produce cheap one-way glass bottles in competition with plastic, tins and cardboard containers.

The returnable bottle is more expensive to produce than the one-way bottle alternative.

And many retailers who can't be bothered handling and storing returns refuse to sell returnable bottled beverages.

Even the high deposit means high rate of returns argument breaks down when one considers the high rate of return for low deposit milk bottles versus the lower rate of return on high deposit soft drink bottles.

The traditional wine, soft drink, or milk bottle is expensive, heavy and of a space-wasting shape. Cost-conscious manufacturers are shunning glass in favour of plastic — cheap and ultra light weight, and cardboard cartons, which, while heavier than plastic are lighter than glass and shaped for optimum density packing and display.

Steel and aluminium cans have also laid a costly toll on the glass industry.

Marketeers welcome these new packing mediums for the highly flexible packaging potential they offer.

Which all explains why Frenchmen are now drinking their vin ordinaire from plastic bottles and milk from plastic sachets; Americans swill beer from aluminium tins and hurl the empties from speeding cars at highway markers; the American milk bottle has gone the way of the dodo, as has door-to-door milk delivery, to be replaced by milk in pint, quart, half gallon and gallon cardboard containers from the supermarket. Even the face of the wine shop has changed from the varied display of multi-shaped and shaded bottles to gallon bag in a box cardboard wine containers.

The American glass industry is fighting back, replacing the curvey Coke bottle with a short dumpy — a cheap, but space-saving bottle. And then there is the two-litre soft drink bottle.

New Zealand's glass bottle monopoly, AHI's New Zealand Glass Manufacturers Company, is facing the same problems faced by glass manufacturers overseas — and then some.

Beverage tins have made some inroads into the glass bottle market here. But these tins are also produced by AHI, and their high cost promises to restrict their use.

The environmental lobby kicked up such a fuss when Coke introduced its big non-returnable bottle that future forays into cheap one way glass bottles are unlikely.

Besides, the environmental lobby seems to have found receptive ears at Trade and Industry where it appears a gentleman's understanding has been reached with AHI.

The real battle seems to be shaping up on the wine and milk markets. Government, and not market forces, will be the deciding factor.

There are four contenders in the milk container stakes — AHI, UEB Industries, Rosebank Plastics, and the Dairy Board.

Rosebank approached at least one of Auckland's milk corporations with the idea of selling milk in polycarbonate bottles.

UEB and AHI are locked in a lobbying battle in Wellington over the question whether the New Zealand retailer and consumer should have access to milk — or at least flavoured milk — in cardboard cartons.

Parties largely ignored in these rarified negotiations are the Milk Promotion Council, the New Zealand Milk Board, the retailers, the milk corporations, and the consumer.

Trade and Industry holds an ace card by controlling import licences for packaging equipment.

UEB prepared an environmental impact report for Trade and Industry (see accompanying story). Last week AHI prepared a study in favour of the milk bottle covering use, litter control, advantages, and the side of the New Zealand vendor should cardboard cartons be introduced.

Roy O'Shanassy, marketing manager of AHI's subsidiary, said: "It is not our place to intervene in Government or milk industry decisions.

"However, it is for us to submit certain information to have to assist them with decision making in respect of this particular issue.

"Details of this information can't be made available unless those people for whom it was prepared give permission," he said.

AHI had apparently ... revealed its report to ... this country's most concerned parties, for the Auckland manager of the Milk Board, Randall Kennedy, told ... was not aware such a report had been written.

But it is understood the Milk Board's office ... capital has been notified.

Kennedy said that so far as he knew, the Milk Board ... no objections to milk cartons so long as the consumer is given a choice between bottled and cartoned milk and ... extra costs for cartoned ... was recovered from the consumer.

The Milk Promotion Council, which is funded by the Milk Board, had different views. A spokesman from this body said he was peeved at UEB for not consulting the industry and concentrating all its efforts on lobbying Wellington.

The Milk Promotion Council was not in favour of the cardboard cartons, this source said.

Milk sales here were based on home delivery. If UEB cartons did not break into the home delivery market ... restricted throughput ... only flavoured milk then retailers would push up the container price, ... and ... would be at least double the Australian price for cartons ... estimated.

He also estimated that UEB would have to charge more for its 1 litre carton in this market than the 3.8 cents ... 600 ml carton charged in Australia.

The Dairy Board is also ... the act with a $1 million plant in Takanini, Auckland ... package UHT Long Life flavoured milk in Swedish Tetra-Pac cartons.

The Dairy Board deal ... based on the export potential for this product but they plan to market some of ... flavoured milk in New Zealand at prices ranging from 30 cents for a 250 ml carton to 80 cents for 600 ml.

Flavoured milk is not milk according to the Milk Act and therefore it is not under the jurisdiction of the Milk Board.

Some milk vendors have already expressed an interest in distributing this UHT milk for the Dairy Board for fear of losing their jobs, basing their fear on Australian experience where cartons are displacing the bottle.

The whole milk carton concept, as imported from Australia was intended to create a new market for flavoured milk as a fun drink to be sold to the young. As such, milk would find its way into fast food bars. and ...

(Continued on page 11)

State plays political football with milk cartons

by Warren Berryman

BOOSTING milk sales with flavoured milk in brightly coloured cartons might seem a relatively simple marketing ploy. One might think it required no more than some initial market research, costings, a substantial risk of your own capital, and then market forces would decide if you were a winner or a loser.

But that is not the case in New Zealand, where milk containers are looking like political footballs.

The question of what the market wants or is willing to pay for will not determine the success of UEB's pure-pac flavoured milk and fruit juice cartons. Rather, it is what the Department of Trade and Industry will allow.

The latest bureaucratic hurdle put in UEB's path, was a request for an environmental impact report from Trade and Industry.

UEB complied in January with a report which compared its proposed cartons with glass and plastic milk bottles. The comparative parameters were imported content, pollution, energy input in container manufacture, filling and distribution.

The major points in favour of the glass milk bottle, which are said to have impressed

MARKETPLACE

Trade and Industry and the environmental lobby, are that glass is resaleable, refillable, and recyclable. The deposit paid on glass bottles keeps them off the rubbish tips, parks and roadsides.

And insofar as the average life of a milk bottle can be up to 100 fillings, this reuse is thought to save money.

But the UEB report claims there are less obvious costs involved in glass bottles.

Even if the glass bottle was never broken and was capable of an infinite number of refillings, cardboard cartons and plastic bottles have a weight advantage.

The report compared the container weight-milk weight ratio in three identical standard milk crates.

This comparison had a built-in bias in favour of the carton. Because the cartons are square in cross section, they fit the square holes in the crate where round plastic or glass bottles leave wasted space. Thus the comparison was between 20-1 litre cartons and an equal number of glass and plastic bottles containing only 600 ml of milk each.

Compared on this basis, the report found that the weight percentage of milk per crate was 86 per cent for cartoned milk, 81 per cent for plastic bottles, and 54 per cent for glass bottles.

Worked out on an individual container basis, the glass weight was 83.3 per cent of the total weight of a full bottle of milk. For the cardboard carton and plastic bottle these percentages were 4 per cent and 2.5 per cent respectively.

This weight and container shape advantage, UEB's report claimed, meant a saving in transport costs.

And the cartons did not have to be returned, which led to further transport and handling savings.

But this still leaves UEB comparing a reusable bottle with an expendable carton.

Here the company attacked the costs and water pollution aspects of washing glass bottles before reuse.

Bottle-washing machines cost about $120,000 and each bottle washed takes over two litres of hot water, leading to thermal loss when the hot water is dumped. Thus the filling costs for cartons were one third of that for reusable bottles, the report concluded.

Homing in on currently fashionable grounds, the report claimed that while glass bottles had only a 37 per cent domestic raw material content, and plastic bottles no indigenous raw material content, cartons were made of 93 per cent local renewable resources.

All of which still begs the question: will New Zealanders take to cartoned milk as the Australians and Americans have? And will it boost milk sales?

(Continued from page 6)

supermarkets which now refuse milk because they don't want the hassle of bottle returns.

But opponents of the carton fear this country will follow the path set by the United States, where bottled milk and milk deliveries gave way to supermarket sale of milk in cartons.

For both UEB's Pure-Pac and the Dairy Board Tetra-Pac there remains the niggly question of licence fees or royalties to be paid to the overseas owners of these systems.

The wine front presents a more complex picture. Australian wine drinkers can buy a gallon bag in a box carton of wine for as little as $3. The New Zealander can buy the same quantity of wine in a similar bag in a box for as little as $10 — or from $3 to $5 cheaper than the same quantity of wine in 6-750 ml bottles.

Bottles still hold the top end of the market and should retain their position so long as the wine buff resists the urge to plonk down a cardboard carton on the tablecloth next to his crystal glasses.

Suppliers of the bag in a box cartons here are AHI and UEB. Vinters pay about $1.25 per carton here versus 75 cents in Australia.

The major parameter contributing to both the differential between our wine prices and the Australians' and the bag in the box price versus the bottled wine price is the method by which our wine is taxed.

Wine is taxed with a 20 per cent sales tax on the wholesale price. Thus the tax is levied on the wine, the container, cork, label, seal, handling, markup and freight.

A new wine bottle costs the vinter 20 cents; add 7 cents for the cork, 1½ cents for the seal, ½ cent for the label and the container cost comes to 29 cents a bottle, or $1.30 a gallon.

A one gallon bag in a box container costs about $1.25. The container saving is only marginal here.

But four one gallon bag in a box containers fit into the same sized crate as one dozen bottles holding only one half the quantity of wine. Thus freight costs are halved by using the containers.

These initial savings expand as the wine goes on its way through the distribution chain to the tax man.

The merchant gets a 17½ per cent markup on the price of the wine, container and freight to his door. Government takes its 20 per cent after this markup. Then there is the 40 per cent retailers markup before the consumer.

All in all these markups add 95 cents to the dollars worth of wine provided by the vintiar.

Wine bottles are reusable while the containers are not giving the bottle an environmental appeal. On average wine bottles make about 20 trips in their life. Thus they are taxed by Government 20 times while their contents can be taxed but once before drunk.

NBR BUSINESS WEEK

NZ loses a city-load of workers each year

by Peter V O'Brien

NET migration from New Zealand in the last three years has been about 75,000 people, but all the Government can do is refer to a reduction in housing demand.

The latest figures from the Department of Statistics show that there was a net migration loss of 35,084 in the 11 months to February, 1979.

The "actively engaged" in that total was 24,506, which is the population of a city. Their 10,576 dependants (or dependants plus those who have retired) raises the permanent outflow to a sizeable secondary city.

In spite of protests that we are a mobile population always looking for "overseas experience", the increase in numbers in recent years emphasises that the problem is growing.

The Department's figures include a breakdown of the net loss by occupational groupings, as shown in the table.

The figures are potentially disastrous for this country's future. While it is true that many people who emigrated would merely add to unemployment numbers if they had remained in New Zealand, the loss of professional people, technicians, and administrators (including several in the clerical classification who could be expected to move up the occupation ladder) will affect our future.

An example can be drawn from our experience in World War II. As a result of those casualties, there was a shortage of middle management in the early and mid 1960s, and companies reacted by appointing managers in their 20s. Those positions would normally have been filled by people in their 30s or 40s, but many did not return from the war. Today the relevant age group, which would now be the 50s, sees a shortage of top executive or directorial people (discussed in NBR last year).

In the next 10 years the problem will repeat itself, but the effect will be greater.

Last week coincided with Anzac Day, when there were the usual references to the fact that the country lost the "cream of its youth". Today the current "cream" is also being lost in the course of an economic war, in which the administrative commanders flounder from one skirmish to another.

The total effect of the present outflow cannot be quantified, but it is clear that the impact on the economy and the country is solid.

First, every skilled worker or professional generates activity for others. Whether the "others" are one, two or three, depends on the industry or service activity. The result is a shortage of skilled workers (not necessarily surprising given the relevant margins between skilled and unskilled in New Zealand and other countries, particularly Australia), while there is an unemployment problem among the semi-skilled or unskilled.

Secondly, the outflow means an average loss of earning power greater than the level of those left behind. That may have some "desirable" influence on the level of demand in the economy, in the short-term, but it also means that the downhill trend is accelerating and will be harder to reverse in those happy days (somewhere in the 1980s?) when we return to growth.

The third effect is the intangible psychological influence on those who remain. Some will react by joining the exodus when they hear of the opportunities from their friends or relations. Others will be left with a sense of frustration, and the knowledge that their living standards are dropping in international terms.

But how do our "leaders", whether in the mansion at Parliament Hill or in the bureaucracy react to this? Basically with a dearth of imagination, creeping paralysis, blasts at the inhabitants of "editorial chairs, ivory towers or marble palaces", references to a reduction in housing demand, or claims that the outflow is only youth seeking experience.

The last claim is a fallacy, as is seen by the 1978 phenomenon of people in their 40's (and sometimes older) departing for other places. That cannot be dismissed as "youth having a fling". In the older age group the decision to leave involves radical change to established living patterns, pulling up roots, and accepting the problems of becoming settled in a strange environment. Consequently it takes a tough and imaginative mind to make the decision.

We cannot afford the loss of imagination.

OCCUPATION	NET LOSS
Professional, technical and related workers	[illegible]
Administrative and managerial workers	1004
Clerical and related workers	5061
Sales Workers	1628
Service Workers	1140
Agriculture, animal husbandry, forest, fishermen and hunters	810
Production and related workers, Transport Equipment Operators and Labourers	8096
Occupation not classifiable or unspecified	744
TOTAL ACTIVELY ENGAGED	24,506

Analysing annual accounts

by Peter V O'Brien

GROWING awareness among company directors that annual reports are perused by several "publics" has led to the growth of new concepts in publicising corporate performance and activities.

The trend began a few years ago when Challenge Corporation presented a report in the style and format of a news magazine, including "interviews" with the executives responsible for specific areas of the group's activities.

The next stage was the inclusion of special reports for the staff. Several of these efforts were grotesque, concentrating as they did on cartoons, comic strips, and turid graphics. Some staff reports even adopted the curious procedure of including information which was omitted from the main report to shareholders. One body of opinion would claim that if companies can "simplify" the annual report for the benefit of staff they could apply that talent to the formal report for the benefit of shareholders, many of whom lack detailed knowledge of company accounts and administration.

The report to staff has a potential danger in that, without care, it can be patronising to the workforce, and therefore fail in its object.

But there is a place for "special" reports. The United States company, Wheelabrator Frye (abrasives and special machinery), publishes a report for "little people", directed at the children of staff, shareholders and other readers, who may wish to know about Daddy's interests or work. In that context there is a place for comic strips and the other imaginative products of the American public relations and advertising industries. Even then the production needs to be sophisticated because the little darlings are among the first to see through cant.

New Zealand companies are continuing their attempts to liven reports. The Wellington based primary products dealer and tanner, Colyer Watson, has an interesting example in its first report as a listed company. Colyer Watson arranged for 21 year-old Wellington Polytechnic graduate, Vicki Wong, to photograph the company's activities, and to comment on what struck her eye and her camera. The result was an unusual assessment of industrial processes from the viewpoint of a person skilled in the intricacies of form and design.

Colyer Watson's approach was an extension of the 1977 Fletcher Holdings report, when the internationally regarded New Zealand photographer Brian Brake produced several top quality photographs, illustrating the company's activities and emphasising a sense of strength, size, and beauty in industrial processes.

The Auckland agricultural and horticultural supply group, Arthur Yates & Co Ltd, has gone further, and included a "from the Shareholders' Point of View" section in the 1970 annual report.

Seven shareholders were invited to lunch, after which there was a discussion about the company and its business. The group could hardly be termed "ordinary" shareholders, as it included Jim Gemmell, ex UEB and past president of the Manufacturers' Federation; Karen Vautier, member of the Planning Council, Auckland research economist and former staffer at the Institute of Economic Research; Suzanne Picot, Auckland City Councillor, and, apart from being described as "housewife", a lady whose connections with the well known retail family and a background in journalism give her a good knowledge of business life; three other businessmen; and Richard Sibson, an ornithologist and retired schoolmaster.

The discussion needed people of this background in order to be meaningful, but it is interesting to speculate on the after lunch conversation if seven names were taken at random from the shareholders' list.

Arthur Yates avoided a problem which occurs regularly when companies look for new ways of presenting the report (even to the extent of bordering on the "gimmick" approach).

Too many companies adopt a new style report without providing the information which should be in every report in the interests of financial disclosure. Yates' contribution to the search for novelty was additional to a good report in other respects.

The company explained fully what happened to working capital (inventories down $871,000 or 10.3 per cent; debtors up $820,000 or 22.4 per cent; creditors down $950,000 - 30 per cent; a massive 69 per cent fall in overdraft from $2 million to $790,000; and a cut in the amount the company was holding on behalf of short term depositors).

The inclusion of details on sales, cost of sales, and other costs, added to the information, as did a full textual statement of the group's business, and graphs showing the annual movements in important areas of financial data.

The only quibble is a failure to include the value of export tax incentives. Tax was up from $49,000 to $217,000 on pre-tax income of $1,152,731 ($1,098,455 in 1977). Yates does well from export incentives on its overseas business. A breakdown of those benefits would add to the report. Other companies find it possible to include this information, although the number is unfortunately small.

Exchange rates

As at April 26, 1979 $1NZ is worth:—

Australia	.9450
Britain	.5099
Canada	1.1674
Fiji	.6708
Japan	225.07
West Germany	1.9527
USA	1.0386
Austria	14.42
Belgium	31.05
China	1.6749
Denmark	5.4525
France	4.4937
Greece	38.17
Hong Kong	5.3461
India	6.6177
Italy	870.34
Malaysia	2.3061
Netherlands	2.1195
New Caledonia and Tahiti	82.23
Norway	5.3522
Pakistan	10.25
Papua-New Guinea	on application

Selling rates supplied by CBA Bank.

Disneyland lures tourist revenue from NZ

by Peter V O'Brien

THE New Zealend tourist industry is going through a dull period. There ia virtually no growth either in the number of tourista coming here from overseas or in foreign exchange receipts.

The Tourlet and Publicity Department published figures last week showing thet the number of holidaymakers visiting New Zealand in the year to February was only 4.2 per cent above the previous year. Since the year to February coincides with the height of the season, the numbers are unlikely to show much improvement in the March year.

The Department also said that foreign exchange receipte totalled $163.5 million in the February year. That amount has been almoet atetic for about a year, when taken on a running annual beala each month.

The drop in the number of Australiens coming to New Zeeland is the main reason for the limited growth in tourist numbers. Austrelta hes traditionally provided more than 60 per cent of alf visitors in the category "holiday or vacation". In the February year 133,859 Australlans came to New Zealand for a holiday, from e total of 246,109 in that atetisticel grouping. Australians represented 54.4 per cent of all touriets, compared with 58 per cent in the previous year. There wes a decline of 2.2 per cent in the number of Australian holidaymekers in the year.

The percentage fall comes into perspective when it is calculated aa a numerical drop of 3001, and related to the total increase of only 9921 in all tourists in the same period.

The ettraction of the West Coeat of North America and Asia are the main reasons for potential visitors from Auatralia bypassing this country. A eeries of adjusted airfares, particularly to Califoraie, while the trans-Tesmen fare remained unchangad, divertad travellers from New Zealand to the delights of Disneyland, the Golden Gate, Southern California sweet living and other experiences. At the end of January the flights from Los Angeles to Sydney through Auckland per courteay of PanAm were well stocked with Australians, some of whom mey have choaen North Americe rather than New Zealand for a holidey destination.

But there were interesting increasea in tourist visitors from other countries which offset the lower number of Australians.

While these countries operete from a lower beee then Australia in relation to New Zealand holidays, they overcame the downturn across the weter.

Japan topped 10,000 tourists for the first time. The growth rete in Japanese visitors hes been a feeture of New Zealand tourlam in the 1970 s. Last year (to February) 10,526 Japanese set out for New Zealend, compared with 9608 in the year to February, 1976, an increase of 9.6 per cent. Jepan now ranks fourth as a eource country for tha New Zealand industry, after Australia, the United Stetes (40,313), and the Pacific Island (12,219). Given the large number of Pacific islandere already living in New Zealand, the close proximity of the Islands to New Zealand, and reasonable travel coets, that area's third position is logical.

But there was still a 2.t per cent fall in Pacific Islands' tourists, although the number staying with "relatives or frienda" (e separate cetegory in the Department's statistice) went up 20.9 per cent. Rising cost structures in New Zealand, and the growing base of permanently settled Islanders may account for the structural shift. It is obviously cheaper to stey with reletives than to spend money on accommodetion.

Japsn te set to overtake the Islands as a source of tourists this year, particularly if Japan Airlines obtains landing rights in New Zealand. The pattern should follow that experienced in other parts of the world. The Japonese touriets tends to walk in the path set by his businessman, who move in and out of New Zealend in increasing numbere.

They also tend to travel in groups, some of which can be extraordinerily large by our standards, complete with organlsers, guidaa, or what some countries irraverently refer to as "cheerlaaders".

The slow growth rate in tourists from all sources over the laat year may indirectly, and paradoxically, assist the New Zealand industry by giving it time to improve its facilities, particularly hotel accommodation in the main ports of entry.

New Zealanders who travel regularly to Auckland are well eware of the hotel problem in that city during the tourist seaeon. Plens for increasing the number of available hotel beds in Auckland have been well publicised, but construction will teke time.

If there is a substantial increase in the number of Japanese visitors, even from a low base in comparison with Australia, the problem will be aggravated until the new hotels, and extensions to existing facilities, are completed.

Static tourist earnings are another question, but are relevant to the country's total overseas earnings. New Zealand at present has a substantial net loss on travel expenditure. We spend overseas on travel more than twice what we receive. This point receives rave comm[ent] in various places, but it [...] has to be put into perspecti[ve]. In the year to February, [...] 45,128 people travell[ed] overseas on busine[ss], compared with 38,160 in t[he] previous year. The increa[se] was lower than in the touri[st] category, but the busine[ss] traveller spends more than [the] tourist, and the majority a[re] trying to increase exports [...] theory, at least, the[ir] expenditure should resul[t in] longer term increases [in] overseas earnings to offset [the] present outflow of funds.

Key indicators

		Current Period	Previous Year	Per cent Change
Consumers Price Index — all groups base Dec 1974-1000	Mar 78	1158	1030	+15.00
Building Permits Issued	DEC 78	$200.4m	$84.0m	+30.00
Official Overseas Reserves	DEC 18 yr	$1,812.2m	$1131.8m	—8.00
Registered Unemployed — inclu. those on special work schemes	FEB 79	$774.3m	$645.1m	+30.00
	APR 18	41,783	38,056	+47.00
NZUC Share Price Index	18th April	330.65	318.13	+8.00
Reserve Bank Share Price Index	24th April	1418	1318	+8.00

Share profits hold breath and wait nine months for upswing

by Peter V O'Brien

INVESTOR INSIGHT

THE Government's new interest retes hed the inevitable effect of depreseing the sharemerket, with a substantial fall in share prices on the first treding day after Eester.

The market regained some of that losa in subsequent days. Informed opinion, particularly among the brokers, says that prices are unlikely to show much improvement while the present interest rate structure eiphons off money to fixed term investment. When the technicel relationship between dividend yields on equities and the return from fixed term securities ia added in, the immediate outlook is for a static or falling market.

Few brokers expect the sharemarket to regain the trend which wes apparent in the month before the Government came to the money markets. An Auckland firm says that the existing price level was unjustified and showed "an exuberance belying the true etate of the economy and prospects in general. In our opinion most of the recent rises were unjustified. Despite the prospect of an excellent company reporting season about to begin and the possibility of widespraad dividend lifts, we believe the sharemarket generally will drift lower on light turnover. We continue to racommend selective investment only".

(Strange how brokers are always recommending "selective" investment. Unlees an investor has enough money to swamp the total sheremarket, or lacks judgment, all investment is "selective").

But the market is perverse, and the coming weeks could offer good opportunities for those with strong heads and etomachs to take potentially profitable positions in equities. While that comment may seem peculiar in the light of present interest rates, economic conditions, and the market's reaction to government security issues, all three can interact to prove the point.

Tho Government says it is determined to keep inflation under control, to move in the monetary field to achieve that goal, and to keep credit expansion within a narrow band. The "high" interest rates are designed to move substantial sums to tho public sector. If tho Government can finance a sizeable part of its 1979-80 deficit early in tho financial year its options in future public issues are more flexible. In oddition, the flow of funds back to tho public sector reduces the monotary bose, which in turn works through to credit expension. Since the last la one of the foctors leading to upward pressure on inflation in timas of nil growth in real tarms, a reduction could assist the inflation figure, although the figures for the next six montha should be higher than those recorded in the first quarter of the calendar year.

A solid inflow of money to finance the deficit will leave the Government with less need to attract the sama level of funds in futura issues. Therefore it would be able to cut the interest rate, a point which has already been takan up in brokers' letters and other comment.

Falling interest rates have the reverse technical effect on dividend yields in tha sharemarket. The latter tend to rise.

The financing of the deficit from the private sector will, in the absence of other complicating influencaa, taka pressure off price inflation.

If both strategies work out, and if some imagination la shown in tha budget, the recent action will create more confidence in equities.

In the period between introduction of the new ra[tes] and an indication of whe[ther] the strategies have achie[ved] their object the sharemarket [is] likely to remain unsettled, [or] in the words of the broker, "a drift lower on light turnover".

It is a gamble to assume th[at] the Government strategy w[ill] work this time, (given th[e] singular lack of effectiven[ess] in so many other offic[ial] economic policies) but in[vestors] gambled the mark[et] up. Their "gamble" on th[at] occasion was on the level o[f] government interest rates a[nd] other developments.

The down risk appears [...] in present conditions. It is [...] possible for public se[ctor] securities to go to inter[est] rates of, say, 14 per cent, b[ut] that movement is less like[ly] than a return (at the five ye[ar] term) to 12 or 11 per cent.

A decision to buy shares [in] the present climate must be tempered with the realisation that the recovery (assuming the results already discussed do occur) will be slow. The outflow of money to th[e] Government affects the tot[al] available in the community [for] all investment, includ[ing] equity shares. A sharemar[ket] can only rise when demand [for] scrip outweighs supply [at] given price levels, and pe[ople] eventually have to fron[t up] with the cash for share pu[r]chases. If the amount of ca[sh] in the community is reduced [it] will take time to accumula[te] tho funds necessary to put [the] market back on an upwa[rd] course.

The philosophy outlined he[re] is certainly not new. It [is] summed up in the adage "bu[y] in gloom, sell in boom", a[nd] only another variation [of] the counter-cyclical theo[ry]. That approach involves d[oing] tho opposite from everyo[ne] else, an approach which [is] difficult in societies whe[re] people seek the reassurance [of] being in step with their fellow[s]. It is also an approach whi[ch] works on the rather cynic[al] principle that the crowd w[ill] always do the wrong thing [in] relation to the long term, whi[le] having a short term effect [on] events.

The rugged individuals le[ft] in the country (most have emigrated) could take a dee[p] breath, buy shares, and ho[ld] them for say six to nine month[s] against the next swing in th[e] market pendulum, after discounting the retur[n] available from other in[v]estments.

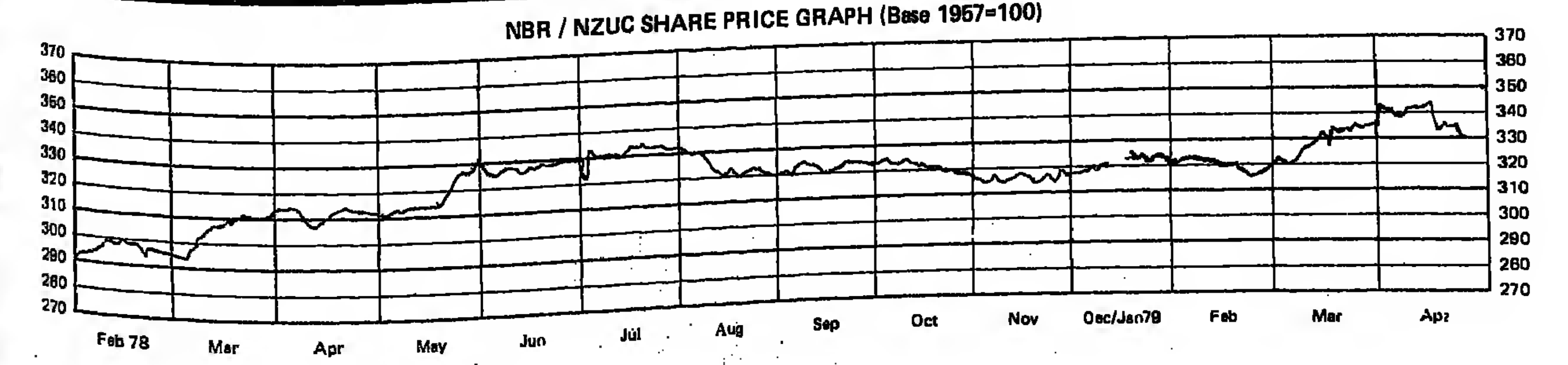
NBR SHAREMARKET SURVEY

WEEK ENDING APRIL 26, 1979

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1967=100)



Constitution ensures that whites retain power

by Colin James

THE Zimbabwean constitution, under which the country voted last week, is a device to ensura power remains in white hands, the Commonwealth Secretariat in London ssys.

An anslysis by the secreteriat sent to NBR concludes that "virtually every lever of institutionsl power has been retained in white hands".

The analysis was made at the request of the Commonwealth committee on southern Africa, of which New Zealand is a member.

It says the people at large "are hequeathed a government bereft of the power to govern effectively and a legislature denuded of sll meana either to change the status quo or to odvance the legitimate aspirstions of the nation as a whole.

"It is a carefully woven, carefully contrived subterfuge for sustnining a wholly anti-democratic regime."

The annlysis notea that black members in the lower house will outnumber white members by 72 to 28. But it will take 78 votes to amend the 123 entrenched provisions of the 170-clause constitution, giving the white members (representing 3 per cent of the populstion), an effective veto.

The entrenched provisions cover sll important sspects of power and sdministrstion including sll key appointments. Such appointments will be made by a network of white-controlled commissions and bosrds, whose advice, the populsrly-elected president will be constitutionally bound to tske.

High court judges, who will need to have at least 10 years practising legal experience in Zimbabwe or South Africa, will be appointed on the recommendation of a judicial service commission, made up of the chief justice (now white), the chairman of the public service commission (inevitably white initially) snd one other person recommended by the chief justice.

The judicial service commission will also recommend the sppointment of the attorney-genersl, who will control prosecutions independently and will be selected from those qualified to be high court judges who have also been in the attorney-general's department for 10 years.

The msjority of the public service commission including the chairman, must hsve held certain deaignated senior posts in the public service for five yesrs.

The judicial service commission will also recommend the appointment of the commissioner of police, who must have been ss assistsnt commissioner for five years. He in turn advises the president on oll appointments from inspector up.

The police service commission will be chaired by the public service commiasion chairmsn end st least half of its other members must be an assiatant police commissioner or higher for fiva years.

Defence force commsnders will be sppointed by a bonrd comprising two service commandars and s permanent public service head from among officers who have been a colonel or group cnptain or higher for five years in the existing forces.

A defence forces service commission, chaired by the public service commission chnirman, will be responsible for doy-to-day defence administration. Two of the maximum of four other commission members most have been colonel or group captain or higher for five years snd the other two will be chosen for their sbility and experience in sdministration.

The ombudsman will be sppointed on the judicial service commission's advice and the nuditor-generl will be appointed by the public service commission from among designated high public service officer-holders.

An upper house (Senate) legal committee will scrutinise legislation for possible contravention of the constitution's declaration of rights. Its members must be either retired high court judges or Zimbabwean lawyers or magistrates of 10 years standing.

Since all senior incumbents under the existing white regime (themselves white) will continue in office when the new constitutoo comes into force, the whites will effectively control all significant judicial, public service, police, defence and parliamentary scrutiny posts.

And in any case appointment requirements will make it very difficult for blacks to qualify for some time.

"It would be decades rather than years before the vast majority could be said to have been afforded a real opportunity to participate in the decision making processes of government and in the public life of the country," the secretariat's analysis says.

Even popularly elected ministers will be effectively deprived of any real power over the police and defence forces by the powers reserved to the white-controlled commissions. Though ministers may give "general directions of policy" to commanders, neither they nor the president have the power to dismiss the commanders if they disobey.

The secretariat says continued entrenchment of white domination is ensured for the future because a commission provided in the constitution to review the composition of parliament at some time after 10 years would have a white majority: the chief justice (or his nominee) as chairman and two members elected by the white lower house members out of a total of five members.

"Even at so late a [illegible] when the scene is supp[illegible] set for abolition of the sep[illegible] black and white electoral [illegible] and for the eliminatio[illegible] separate black and [illegible] seats...the white mi[illegible] would still hold the pow[illegible] veto," the analysis says.

It says the constitution also perpetuale [illegible] privilege and dominatio[illegible] health, education and hous[illegible]. Land reform will be ex[illegible] extremely difficult [illegible] complicated and exper[illegible] land compensation provi[illegible].

"It is difficult to conceiv[illegible] any way in which [illegible] progressive governmen[illegible] task could have been ma[illegible] more onerous," the analy[illegible] says. "In matters of land [illegible] well as those of educa[illegible] health and housing, [illegible] domination of the minority [illegible] been constitutionally secur[illegible].

"Nor is any attempt m[illegible] even to outlaw discriminati[illegible] in places of public res[illegible] shops, hotels [illegible] entertainment," [illegible] secretariat says.

Some statutes [illegible] entrenched in the constitu[illegible] and the validity of all exis[illegible] laws is preserved. Decis[illegible] as to what is discriminatory [illegible] terms of the constitution [illegible] fall to the white-domina[illegible] high court.

"Any programme legislative or otherw[illegible] designed to redress the lega[illegible] of more than a century [illegible] sustained deprivation w[illegible] most assuredly founder on [illegible] very provisions which ar[illegible] expressed in terms the[illegible] prohibit discrimination b[illegible] ones which are carefully circumvented and rendered inapplicable where whites are the beneficiaries."

Muldoon lures public into tight money noose

Economice Correspondent

PRIME Minister Muldoon promised s fortune away to win the electioo lsst yeer. But he has been crsfily luring it all back through the use of monetary policy. If he is not careful, though, ha may find he has lightened things up too much and business confidence may take another plunge as it did in 1976.

In the electioo-year budget, Muldoon reduced income laxstion and increaaed Government spending. As a result, the New Zaaland Institute of Economic Research expecta that the Government's budgat deficil will be the largest ever in absoluta terms at $1545 million.

The large fiscal injection from last year's budgel was not only intended to influenca voters to re-elect Muldoon last year. It was also intended to stimulate business activity which has been genarally depressed since Muldoon screwed the economy down with his 1976 Budget.

As the Government continues to spend-it-up, the money supply slso has been increasing st a faat clip. The annusl growth to privote sector credit is currently over 20 per cent. Normslly, easy fiscsl and monetsry conditions might lesd to increased business investmant. But any impetus from these messures has been largoly nullified by general business pessimism.

Since firms heva not made significant drawinga on the money supply for investment purposes, credit hss been freely available to members of the consuming public. With extra cssh to spend, but with little increass in nstional product to buy, tha public has four choices of whst to do with its increased cash holdioga.

First, the public could buy up existing stocks hold by manufacturers snd retailors. But they won't be oble to do this for long because manufacturers, burned in 1977 when the economic downturn forced them to accumulato costly stocks, hsve lalely preferred to run stocks below normsl levels.

Secondly, tha public can

THE ECONOMY

spend its cash competing with other members of tha public for axisting national output. This la the clsssical case for inflation with too much money chasing too few goods.

And if prices of locally produced goods go too high, the public will find the third option of buying imports from ovarseas even more attractiva than usual. But this would result in an increasa in our balance of payments current account deficit.

Obviously not happy with the potential effects of any of the above three options, Muldoon is seducing the public into taking a fourth option — to save. Muldoon has been taking back from the economy whal he hos been giving away as fsst as possible by selling government atock and offering cash loans with attractive terms, not to mention high interest rates.

The most attractive terms ever were offered to the public in April. The public could subscribe to New Zealsnd Government Cosh Loan (No 2) 1979 which features a top rate of 13 per cant for o 5 year term. The loon alao offers maturities of one year at 11 per cent per annum, three years at 12 per cent per annum ond 10 yeara at 10 per cent per annum. Opaned for public aubscription on Monday, April 23, the losn will close on Friday, Moy 11. Thero are fears thst the popularity of the loan will draw even more cssh than tha Government wants and moy close early.

Subscriptions to tho loon may ha as low os $100, which mokes the loan accessibla to most.

And for thosa who cannol find the money to invost in the cash loan by Moy 15, the Government is offaring another ssvings stock similar to tha 1978 atock issue which collected $294 million for the Government (sae P V O'Brien NBR, April 24). Unlike subscriptions to the cash loan which are for s set period, the ssvings stock can be redeemed by the holder st any time sfter July 13 subject to one month's notice.

It is expected that the cssh loan will be highly successful in attracting money from the public and will add $200 to $250 million to the Government's borrowing. Tha savings loan is expectad to collect between $100 and $150 million.

For those still with cash to spare, the Goverment is also offering local authority loans at even higher interest rates. The rate for s one year term has been lifted from 9.5 per cent to 11.5 per cent and the rate for 6 yesr terms is up from 10.5 to 13.5 par cent.

Terms of 10 yaars and more will pay a rate of 11.25 per cent compared with the present 10.5 per cent. Local suthority intereat rates were increased consistent witb the Government's intantion to maintain competitiva margins for locsl outhority stock compsred with the rates offered for centrsl Government loans.

The extent of the increase in Government interest rstes announcad over tha quiet Easter period came as a surprise. One immediste effect wss a drop in sharemarket trading activity and announcement of higher intarest rates announced by those finance companies competing with the Government for the public's ssvings.

Now the level of sll interest rates may rise. Economic theory suggests thst as interest rstes rise, there will be a desire on the part of the community to accumulste additional interest-besring financial assets, to hold less money which is not earning interest and to spend less on goods snd servicea.

Given the current economic situation, the Government probably expects to be able to offset the inflotionary stimulus of its election year budget and to attrsct consumers sway from tha temptation of apending on imports.

But snother outcome of s rise in interest ralea is that new investment will be delayed because tha cost of obtsining finance is puahed sbove the anticipsted profit leval (the rate of return) of sn investment project. This may be tha last straw for firms struggling in an unfavourable economic climate during tha last few years.

These firms need assursnce from tha Governmant that its latest moves sre part of an oversll economic stratagy. For exampla, tha Government could channel some of its funda through the Development Financa Corporation at low interest rstes. These assurances hsve not been forthcoming.

More importsntly, Government moves may slow down overall economic activity so much that delsys in new investment may be the least of most businessmen's worries.

The Government has msde it clear that it intends to raduce ita deficit befora borrowing over the next year. This means that if enything, its 1979 Budget is likely to be contractionary.

So, in a faw months time the Government will be withdrawing money from the community, instead of injecting it ss st present. At the sama time, the lagged effects of its present changes to the money supply will filter through tightening up private sector credit. The balance of payments deficit which also has a major effect on the monetary base is likely to increase accentuating the tighter fiscal and credit conditions.

It would take more than a stiff upper lip to maintain business confidence under those conditions. What looks like a good woy to avoid inflation now may be the noose that strangles economic activity later.

INCREASING expression is being given to the idea that if Air New Zealand can't mix it with the big boys, it should get out of the international airline business.

Among the latest groups to demand that Air New Zealand compete or quit is the New Zealand Chambers of Commerce.

Previously, the view had been stated in these terms: "The Government is going to have to look very hard at the future of Air New Zealand. I think we are moving to the stage where we must ask ourselves whether we can afford to maintain an international airline generating services to Europe in the face of competition which is likely to get even tougher."

That question was tackled by Air New Zealand's general manager of corporate services, Charles Beresford, at a media forum the other day.

Beresford's paper did not go into the question of Air New Zealand's efficiency compared with that of other airlines — Qantas, British Airways, Pan American or Continental, for example, nor did it set out to claim for Air New Zealand some divine right to a share of the patronage on its routes.

But Beresford did illustrate that there is more to the argument than merely whether Air New Zealand can remain airborne by charging competitive fares in the face of a growing challenge from the recently free-enterprising Americans.

His arguments (with some editing) are published here...

CHARLES BERESFORD . . . avoid overseas dependence.

Air New Zealand must mix with the big boys: we cannot afford not to

CAN New Zealand afford to operate its own international airline? The answer is best demonstrated by identifying the penalties to the nation if Air New Zealand were to cease international operations and let foreign airlines have a full rein.

Let us examine the company in proper perspective, its contribution to the nation in terms of foreign earnings and tourism, the specialist skills it now contributes and the job opportunities it offers.

Let us look at it almost as we would look at a balance sheet, off-setting assets against liabilities, and let us then consider the importance of the national independence which the airline gives.

Since the international arm of Air New Zealand came into being as TEAL in 1939, and began operations in 1940, profits have been achieved in all but four years. (See Chart I)

Total cumulative net profit to March 31, 1978, was $43,392 million. We estimate that the revenue achieved from international operations in the year which ended March 31, 1979, will be $264,982 million.

Add to the international revenue figure the sum earned from domestic operations — $112,277, — and you have a better idea of the size of the new company. By New Zealand trading standards, that kind of revenue cannot be lightly dismissed.

Of greater importance for New Zealand, in view of our continuing balance of payments deficit, is the established ability of this New Zealand-owned enterprise to earn foreign exchange from the international operation.

Put these figures alongside those which represent our total assets and total shareholders' funds, and you have an even better idea of our net worth. Air New Zealand's total fleet today consists of eight DC10s, three DC8s, nine Boeing 737s, and 16 Fokker Friendships. The staff total is 8700.

In the year ending March 31, Air New Zealand spent $145 million on salaries and wages in New Zealand and many millions for local purchases (for example $3 million on food alone). This expenditure, circulating in our society, must have a substantial effect on the nation's economy.

CHART I

Cumulative Operating Results — International Branch (NZ $000)

	Net Profit	Dividend Paid
1945	219	81
1950	111	120
1955	822	120
1960	1,103	512
1965	2,080	1,020
1970	7,226	2,601
1975	20,672	7,701
1978	43,392	15,261

In looking for ways to increase receipts and balance the books, tourism might be the fastest and most efficient course to follow.

Last year, world tourism earned $50 billion and there is hardly a better way of earning export revenue than to invite people to visit our shores. In terms of money, Switzerland and Spain earn more from tourism than from any other industry. Britain last year earned no less than 2200 million pounds from tourism alone. (See Chart IV).

Tourism in New Zealand is still a long way behind export industries such as meat, but it is one of the fastest-growing and is helping to make the South Pacific the world's fastest-growing vacation area.

The earnings and savings of overseas currency by Air New Zealand in the year ending March 1978 were some $103 million. About 60 per cent of Air New Zealand's revenue is earned in overseas markets. (See Chart II).

Comparing this figure with the $161 million as total overseas funds earnings by the entire New Zealand tourist industry (excluding Air New Zealand) shows that the airline alone is worth about 40 per cent of the overseas funds earning power of the entire tourist plant of this [illegible] (See Chart III).

These figures are [illegible] approximate, but they [illegible] indication of Air N[illegible] Zealand's earning ability.

The question arises, [illegible] course, how much of the [illegible] million would have be[illegible] earned if it had not been [illegible] promotional effort of the [illegible] New Zealand offices [illegible] the globe, which are [illegible] dedicated to promoting [illegible] New Zealand and [illegible] Zealand.

In future years [illegible] contribution is likely [illegible] increase. IATA annual [illegible] forecasts indicate that [illegible] transport will remain a g[illegible] industry, and through [illegible] years to 1983, passenger [illegible] is expected to grow [illegible] annual rate of 8 per [illegible] Freight traffic forecasts [illegible] the IATA-scheduled and [illegible] scheduled carriers predict [illegible] annual average gro[illegible] forecast of 10.6 per cent [illegible] the same period.

Our own conservative forecasts of passenger traffic into and out of New Zealand for the next decade show [illegible] per cent growth each year.

By the turn of the century — only 20 years away — passenger traffic to and from New Zealand is expected to [illegible] nearly five times [illegible] travelling today. (See Chart V).

The importance of New Zealand's having its [illegible] national flag carrier in the [illegible] in the substantial overseas [illegible] earnings which will [illegible] from such movement is [illegible] evident.

The technical [illegible] commercial skills we [illegible] developing to service this [illegible] of commitment, [illegible]

CHART II

Net Earnings and Savings of Overseas Funds — International Branch

1966	[illegible]
1967	[illegible]
1968	[illegible]
1969	[illegible]
1970	[illegible]
1971	[illegible]
1972	[illegible]
1973	[illegible]
1974	[illegible]
1975	[illegible]
1976	[illegible]
1977	[illegible]
1978	[illegible]
1979 (Est)	[illegible]
Total	[illegible]

CHART III

Air New Zealand's Worth at March 31, 1978
Includes international and domestic

Total Assets	$368 milli[illegible]
Paid Up Capital	$54 milli[illegible]
Total Shareholders' Funds	$88 milli[illegible]

[illegible] expenditure we are [illegible] contributing to promote the movement of visitors and the employment opportunities which are now and will continue to be created are all part of the balance sheet we set out to examine.

Another question needs examining — our national independence. To have our own international airline is to have a link with the outside world owned and guided by this country's needs, not dependent on the priorities and needs of other nations — their economic, political or social stability, their whims or seasonal traffic loads.

In pre-1965 days, when every New Zealand world traveller had to trans-ship at Nadi or Sydney, we were dependent for leaving these islands on the seat availability of foreign-owned airlines.

During the 1956 Melbourne Olympic Games, New Zealand was isolated for weeks. The airlines had other priorities. Whenever there was a transportation strike in Australia, New Zealand was isolated.

New air policies by other governments based entirely on ruthless self-interest add further emphasis to the need for New Zealand to be independent in this important area of international air transport.

A reader recently wrote in a letter to the editor of The Listener: "Who cares if the proud sign of the koru is never seen again in Los Angeles, Singapore or Hong Kong! — let the giant airlines serve our long-haul needs". He presented two basic fallacies. First, he assumed that we were wealthy enough to purchase the services of foreign airlines whenever we felt like leaving these islands — and anyone who is aware of our foreign exchange position knows how desperately short we are. Second, the belief that foreign airlines would generate tourist traffic to New Zealand on any scale is a fallacy best illustrated by the current Australian fares policy.

When Air New Zealand opened its office in Frankfurt 10 years ago, we were the 77th airline office in that city. Does anyone believe that any of the other 76 would busy themselves selling this country?

The figures show that our North American traffic really took off after we had penetrated that market ourselves, that is Air New Zealand and the other New Zealand tourist interests. The same will apply in Europe, Japan and elsewhere.

Apart from sales and marketing functions for the airline itself and this country's tourist industry, every Air New Zealand office is regarded as a New Zealand base, geared to help New Zealanders visiting that city, or to assist exporters, importers or whatever other New Zealand interest is at stake. Our offices answer questions on any subject relating to New Zealand and perform a valuable public relations service for the nation.

The very reason why New Zealand bought all the shares in TEAL, now Air New Zealand, was to prevent the development of a situation in the aviation field, with which this country was already faced in the shipping field, namely total dependence on overseas interests. When six bowler-hatted gentlemen in London decided that the cost of freights from New Zealand to Britain would rise by 10 per cent, then every New Zealand farmer lost de facto that 10 per cent overnight and there was nothing at that stage that could be done about it.

In view of the foregoing, the question in future should be: How can New Zealand afford not to have its own international flag carrier?

CHART IV

New Zealand Tourism Earnings

(Excluding Air New Zealand's earnings and savings in overseas funds)

1963	$15 million
1968	$25 million
1970	$30 million
1973	$72.5 million
1975	$130.1 million
1978	$161.8 million

(Includes hotels-coaches-tours etc., currently (January 1979) growing again at 15 per cent)

CHART V

Into-ex New Zealand Passenger Traffic Forecast

1976-77	1.35 million
1980	1.51 million
1990	3.36 million
2000	7.32 million

LETTERS

Rip, tear, bust mentality

I READ Mr Berryman's comments regarding import licensing with interest and appreciation. I am particularly impressed with his suggestion of a 10-year period in which to lower tariffs, subsequent to the removal of import licensing and its replacement with a tariff structure to ease the change-over from licensing to tariff protection. The three-year changes of government will always be an inhibiting factor for progress in New Zealand, particularly as we have no second chamber. The presence of a second chamber would enable much of the hurried and poorly-constructed legislation at present passed into law, to be subjected to further consideration, and would thus put the brakes on the rip, tear and bust mentality that so often seems to prevail in Parliament.

My company specialises in importing electrical insulations and materials for use in industrial applications. We import them because they are not manufactured in New Zealand. But we still have to apply for import licences for these materials — we have only a tiny amount of basic licence — and on a recent shipment were also advised that duty must be paid. We had earlier applied for and received remission of duty; but because a New Zealand company had suggested that it would like to make this particular product, duty was reimposed. It has since been lifted, as a result of our own representations.

Last year, we applied for a few hundred dollars' worth of import licence for these same goods, but were turned down. One day, I received an inquiry from a person unknown to me for supply of an electrical material we cannot handle as we have no licence, or "history" to enable us to apply for licence. After telling him that we could not help, he rang back later to say he had managed to get over $2000 worth of licence through a relative of his in a Wellington Ministry.

Eventually, after some six months, and the assistance of my local MP, we were granted the few hundred dollars' worth of licence we had sought originally.

One of our customers for this particular material, a local manufacturer, was using it in export goods, and had obtained the approval of the electrical authority in the purchaser's country for use of this material. Our inability to supply him, due to lack of import licence, caused him problems.

The removal of import licensing would not be without its difficulties for importers, especially small companies like our own. We have not the financial backing to immediately place large orders with our overseas suppliers that our larger competitors have. But I would be prepared to see us take our chances against competitors. We have managed to establish a market for ourselves, in spite of competition, and I am confident that we would continue to progress, on our ability to provide service.

The time-consuming work required to prepare an import licence application; the cost of photo-copying orders and price lists to support that application; the delay in receiving the licence — or refusal; without these extra — unproductive — costs, we would be able to improve our efficiency, and get prices down.

The doubts about who sees our application, with its attached highly confidential information, would be behind us. You mention the wining and dining, and travelling to Wellington, that is the concomitant of the present import-licensing situation. It always worries me to commit private and confidential information concerning our customers, and our overseas suppliers, to a nameless Government department. The potential for danger exists that someone in his cups will let slip some information concerning our own company, to a competitor. I have no proof that this has ever happened. But the danger is there.

The recent comments that we cannot have wine-shops selling New Zealand wine by the glass because of our adherence to GATT is a further example of blemished reasoning. GATT does not sanction restrictive trade practices such as import licensing either. So why don't we try to make progress, instead of looking for fresh sites for new fences.

As a footnote, I enclose a copy of the circular we had to send our customers, as a result of the imposition of import duty, mentioned earlier. We work from a published price list for most products. We have just completed making out all the credit notes, as a result of our application for remission, and refund of duty. The loss of use of that capital (duty) for several months, plus the cost of re-pricing, printing the enclosed, re-pricing again, and making out credit notes has to be borne by us. And it is all 100 per cent non-productive.

I hope NBR, through your contributors, will continue to argue against the frustrations and incompetence of interference by central Government in the private and business lives of ordinary New Zealanders.

Alan A Horley,
Alan Horley Ltd, Auckland.

"Some of us do work"

I REFER to Warren Berryman's article in your issue of April 4.

He follows the recent fashion of the pundits, sounding off, not infrequently, in your magazine, in assuming that New Zealand manufacturers are over-protected. This state of affairs, he says, guarantees high profit levels, and consumers have to buy our goods at three times the world price.

These generally ill-informed and extravagant statements, noteworthy for their complete lack of substantiation, make their reading offensive enough. However, particularly insulting are his implied accusations that we manufacturers work one shift (which makes us so uneconomic), take half day 'lunch hours', and golf on Tuesdays.

As manager of a company working three shifts, exporting 45 per cent of its production, whose consumer prices in New Zealand are often less than half those for a similar product overseas, I would suggest that Mr Berryman takes the trouble to acquaint himself with the many other similar efforts throughout the manufacturing sector, but this might be asking too much.

I wrote this protest, not only for my own company's management, but also for other manufacturers who feel as I do — resentment and anger — engendered by this article.

The unkindest cut — we have apparently not earned the right to sail on the weekends, after a not infrequent working week of 50-60 hours.

To one of our efficient manufacturers, this article shows a pressing need for a review of your paper's quality control.

D A Howron,
G L Howron & Co Ltd.

Licensing

WARREN Berryman's projections of a 400 per cent rise in unemployment by 1980 (NBR, April 4, 1979) are made with the assumption that import licensing will continue. Would he care to project the rate of increase if import licensing is removed?

The management and staff of this company work hard all week, lunch for half an hour and some play golf on Sundays. The only yachts they see are on the television screen. They operate three textile manufacturing plants efficiently which run 24 hours per day for an average of six days per week. We are not a highly profitable company because of intense competition from several other local manufacturers for the domestic market. We cannot export a great deal because of low labour cost competition from Asian textile manufacturers.

Mr Berryman wants us to "improve our efficiency" by facing open, uncontrolled competition from imports. His proposal would close this business down within six months. Perhaps Mr Berryman could write another article next month and advise our staff of 120 where they would then find alternative employment in Levin?

N C Aldridge
Levin Dye-Works.

Labour Party competence

IT comes as no surprise to those who have experienced the mysterious workings of the New Zealand Labour Party head office to read that the party has difficulty in running an incorporated society (NBR April 4, 1979).

Some of us have doubts that, under the present hierarchy, with the lack of a coherent political philosophy, that the NZLP will ever be able to function effectively as a national political force, let alone as the government of New Zealand.

The economy of New Zealand is not the only thing that urgently needs restructuring.

If the Labour Party isn't reformed then it will be destined to continue to be the occasional three-year government whenever the electorate have tired of the National Party.

Robert Morse
Wellington

Speculation and rumour

SOME three weeks ago, a letter appeared in your publication signed under the name Dormer Beck Campaign, commenting on speculation in your publication about who would handle future National Party advertising.

We disagreed with the content of the article believing it to be based almost entirely on speculation and rumour.

However in setting out to correct some of the facts the article contained, we ourselves were seemingly guilty of the same sin!

Certainly it was never our intention to imply that we had anything but the highest regard for Dobbs Wiggins McCann Erickson as a successful and highly professional competitor in the agency field.

Also on reading the letter, it is clear that we may have implied that Dobbs Wiggins McCann Erickson are 100 per cent American owned. This of course is not the case and majority ownership of Dobbs Wiggins McCann rests with New Zealanders, so of course do the profits. While this fact is known to most agency people we realise our letter did not make this point clear to your non agency readers.

This letter therefore is to apologise to McCanns and to set the record straight.

Terry Christie
Dormer Beck Campaign

Fast food

I READ with some interest your NBR February 28 article on fast food in New Zealand.

It appears, sadly, that the same sort of difficulties that befell the Australian fast food operators are occurring in New Zealand.

The big three in New Zealand are all American companies.

There are a few New Zealand companies having a go, but their success to date is questionable.

I wonder why the few New Zealand companies who did decide to have a go did not franchise.

Certainly, my company has found the economic climate in New Zealand an excellent one for franchising — particularly when one considers that New Zealand's marginal tax rates are among the highest in the world.

Our experience indicates that where tax rates are high, franchising prospers because of the tax savings benefits of being self-employed.

Our company has been in business in Australia for 10 years. We specialise in developing franchise programmes and selling franchises.

We are soon to commence operations in New Zealand because we see a bright future for franchising in that country.

The New Zealand companies that do franchise could well be surprised at the enthusiasm and hard work of their franchisees.

It is highly likely that the profitability of outlets under company management will increase if these outlets are franchised.

Franchising, basically, has a good reputation in New Zealand.

We believe that more New Zealand companies will begin to use the marketing technique of franchising over the next decade.

Howard Hellic
International Franchising Pty
Melbourne

A BACKWARD GLANCE

An occasional series by Grev Wiggs

IF YOU wonder why some of today's senior citizens, long retired from the fray, react so violently at the nature of current industrial demands, you need to realise the working conditions they experienced when they started work 50 years ago.

Conditions in the advertising industry were little different from those of other businesses and at the time we did not think them harsh, unfair, or, indeed, in any way unusual. It was before unions had made their presence felt in the white collar industries, so much depended on the boss you worked for and, like other human beings, some were mean, some fair and not a few generous and appreciative.

In the late 1920s, even before the depression, there was still a feeling round that you were lucky to be in a job, particularly one you liked doing.

The commencing wage was generally $2 per week and this gave the boss a chance to shower you with increases at no great cost to the company. From memory, I received about eight rises in my first year, each of half-a-crown, so triumphantly doubling my wages in 12 months. At the time, top creative agency talent were sitting pretty on $1000 a year.

There was no organised training, no courses available, no certificates to sit for so you organised your own study. Because of my low pecking order on the firm's scanty magazine circulation list, I paid my own subscription to Printer's Ink, the American magazine which was the weekly bible of the industry.

You worked a five and a half day, 46 hour week, or rather you worked five days a week and attended the office on Saturday mornings when a fair proportion of the time was devoted to discussions on lofty subjects such as that afternoon's football games.

If you worked overtime — sometimes with the briefest notice and no exemptions permitted — you received one-and-sixpence tea money and that was that.

Overtime was just part of the job. To tell the truth, nothing ever changed much in that respect. Agency people are a hard-working lot and it's the nature of the business that work comes first, night-time, weekends or whatever. Oh yes, we looked forward to two week's holiday at Christmas plus the Christmas bonus of a week's pay.

Also, we paid our regular weekly contribution for morning and afternoon tea and the lunchtime cuppa was extra.

There were no pension or superannuation plans that I ever heard of — they came much later — so provision for the future was in your own hands. Those were the days when insurance companies successfully sold "industrial" policies with premiums of one shilling a week.

As these were normal conditions of employment, no one thought them

unreasonable, resented them or sought to change them. This was private enterprise without frills.

Those who made a contribution could expect to make progress but advancement was not automatic or foreordained. Those who delivered less than they were paid to do were eased out.

But we survived the system and in the process acquired what I think George Chapman meant when he talked about self-sufficiency. In fact, when unions arrived on the scene to "save us from victimisation", their presence was resented. Conformity was never a strong point among the creatively minded and the concept of unionism has never been embraced by agency people.

But one industry practice which was confined to a handful of agencies and didn't persist for long — really irked me. It was an agreement between agencies that an employee leaving one firm to join another could not get a salary increase for six months. It happened to me. Knowing this, I still wanted to accept the challenge of the new job and took it, sweating out my six month's sentence.

There's nothing new about a wage freeze, Sir Tom.

Colenso shifts top brass

COLENSO Communications has announced a major switch in top-level administration. The move is triggered, in some degree, by the departure of two directors from the Auckland operation.

Creative director, Al Raponi, is implementing a long-contemplated shift to Australia. Mike Wall is retiring from advertising altogether.

Gary Gwynne, currently with Roger MacDonnell, joint manager of Wellington, will move to become managing director of Colenso Auckland. McCabe, company [illegible] and senior Wellington [illegible] will assume overall [illegible] responsibility in Auckland. "Although we have two operations with two [illegible] client lists, it is important to maintain one uniform level standard of [illegible] output," Gwynne [illegible] Admark. "We are [illegible] creative as well [illegible] administrative unit."

MacDonnell, a [illegible] partner, will take over as managing director Wellington. Creative [illegible] head Len Potts will [illegible] control of the total [illegible] team.

"These new appointments [illegible] the two offices," MacDonnell, "recognise the distance the agency [illegible] travelled in the last [illegible] and the degree of [illegible] required to administer the company's large and [illegible] clientele."

Hylton Mackley, [illegible] partner of Colenso, will [illegible] completely new role [illegible] become managing director [illegible] the holding company [illegible] providing financial services [illegible] both offices.

Sniffle: doctors disagree and chemists cash in

by Belinda Gillespie

IT'S that terrible time of the year again, when the common cold is even more common than usual.

Apart from its symptoms, the cold poses interesting moral dilemmas for those in the workforce. Should one, or should one not, isolate oneself from the rest of the community when infected? Is it a moral duty or a piece of self-indulgence to coddle a sniffle at home for three days rather than spread it around the office? Virologists had a chance to discuss these and other aspects of what they call "banal virus infections" at a recent German conference.

It's no use taking a cold to the doctor—he probably doesn't know any more about it than his client. Although these "inflammations of the respiratory tract which can be aggravated by factors such as exposure", are the most common disease known to man, they are largely overlooked in medical training.

Since there is no known therapy to get at the root of the problem, thousands of folk-remedies have evolved. Yet the virologists were told that therapy should be possible in principle. The goal of the German forum was "to work toward the abolition of obsolete methods which are not only ineffective but can be downright dangerous".

Knowing full well that antibiotics are effective only against bacteria, which account for a mere 10 per cent of respiratory catarrhs, but not against viral infections, many doctors continue to prescribe them for colds.

Bacterial complications start when viruses damage the mucous membranes of the windpipe and bronchial tubes, and can be clearly recognised by pus in the sputum. A cough should only be treated with antibiotics when it has become chronic and comes in spasms. At this stage, intensive antibiotics are needed to prevent lung damage.

By and large, say the experts, colds need no treatment. But doctors may need to do something to reduce excessively high fever and relieve pain and coughing.

The remedies they suggest don't include that old standby, a hot toddy of whisky and milk. Alcoholic beverages can turn a simple cold into pneumonia, and though they may temporarily blot out the symptoms, they are not worth the risk.

Small children, with little immunity to infection because of their low exposure to bacteria and viruses, are susceptible to respiratory conditions, mostly of viral origin. A normal child averages six "banal infections" in the first year, four to five in the third and fourth, and two to three in the tenth to fourteenth years. Breast-fed children are more resistant.

It's impossible to vaccinate against the multitude of different viruses that cause colds. Even against influenza, vaccination is not advised for young, healthy people—only for older "problem" patients, and children who are particularly prone to infections.

Paediatricians at the Cologne conference had hard words for over-protective parents. Lacking "not only psychological but also immunological socialisation", preschoolers who are kept out of contact with other children go to school with untrained immunity systems, and are hard hit by infections. As well as letting kids mix with others in the neighbourhood, one doctor advocated the "tried and proven exposure training" of daily showers of alternating hot and cold water.

Common or not, the symptoms of a cold are debilitating and wretched. While there is no drug which will shorten a cold, there are measures a victim can take to alleviate his suffering.

Those swollen mucous membranes that obstruct breathing may be miraculously relieved by nasal sprays. But doctors advise caution for both children and adults because of their "rebound" effect.

Over use of sprays inflames the mucosa and leaves the sufferer worse off than ever. Once or twice a day, or more particularly at night in order to get some sleep, is more than enough.

Here is where an old-time inhalation of steam remedy comes into its own according to the ear, nose and throat specialists. This can be with or without additives such as Friar's balsam, which have more apparent than real benefit. Breathing in moisture stops the mucous membranes from drying out and relieves a ticklish nose and throat more effectively than sprays or drops.

Lozenges, mouthwashes and various vitamins are of dubious value, though they may have a "placebo" effect on some people. So called anti-flu drugs are of no proven value, and may be dangerous for children.

Despite Nobel prizewinner Linus Pauling and his theories, the advocates of mega-doses of vitamin C still lack proof for their favourite remedy. The chemists continue to make a killing out of vitamins during the winter months. Promotion campaigns both in the United States and here are becoming more aggressive and aimed at the general market rather than the healthcare professionals, yet their claims for the effectiveness of vitamin C against colds have as little validity as those made for other vitamins.

Fever often comes with a cold, but is of no great concern except for children under four, in whom it may cause convulsions if it becomes too high. The myth that you have to pile on the blankets and "sweat it out" has been exploded by doctors who now believe that it's better to strip off to a comfortable state.

Aspirin is the best way of getting down a fever, and according to local advice, is still one of the best palliative remedies around for colds. Except for those with bad indigestion or ulcers, aspirin is a safe and effective drug for adults, and in small doses, for children.

COMMON COLD . . . experts debate aspects of banal virus infections while mere mortals toss up between hot toddy and barrage of pharmaceutical miracle cures

While cold victims should eat as they feel inclined, extra fluid is important. This may mean an intake of up to three or four times the usual amount if the temperature is high, and can be gauged by urine output which should be kept up to normal frequency and volume.

Doctors don't like catching colds either, and their advice to would-be patients is to keep their colds to themselves, unless they have complications. These generally persist after the cold itself has disappeared, and can take several forms. Tonsillitis, bronchitis and sinusitis are the most common adult complications, and ear infections in children.

MICROFILE NEWS

A DIVISION OF CHALLENGE CORPORATION LTD.
What Is Happening In The Money Saving World Of COM.

Inside:

"Secret Agent" Speeds up Insurance

Norwich Insurance Data Processing manager Colin O'Neil once regarded COM as "something out of a James Bond movie."

Today COM is a common word aod sight at Norwich Insurance, which relies on micrographics to provide comprehensive up-to-date policy information to its many New Zealand branches, and thousands of policy holders.

The distinct cost advantages of multiple copying plus the many other benefits of COM make life in the paper-work world of insurance a whole lot easier, especially with the guarantee of efficient back-up service which Norwich gets through their COM agents at Microfile.

"The service really is first class" said Colin O'Neil.

"If you have n problem they'll even ring you at home".

The economy of COM enables Norwich to distribute far more information to its branches thao was once thought possible, providing in turn better service to policy holders.

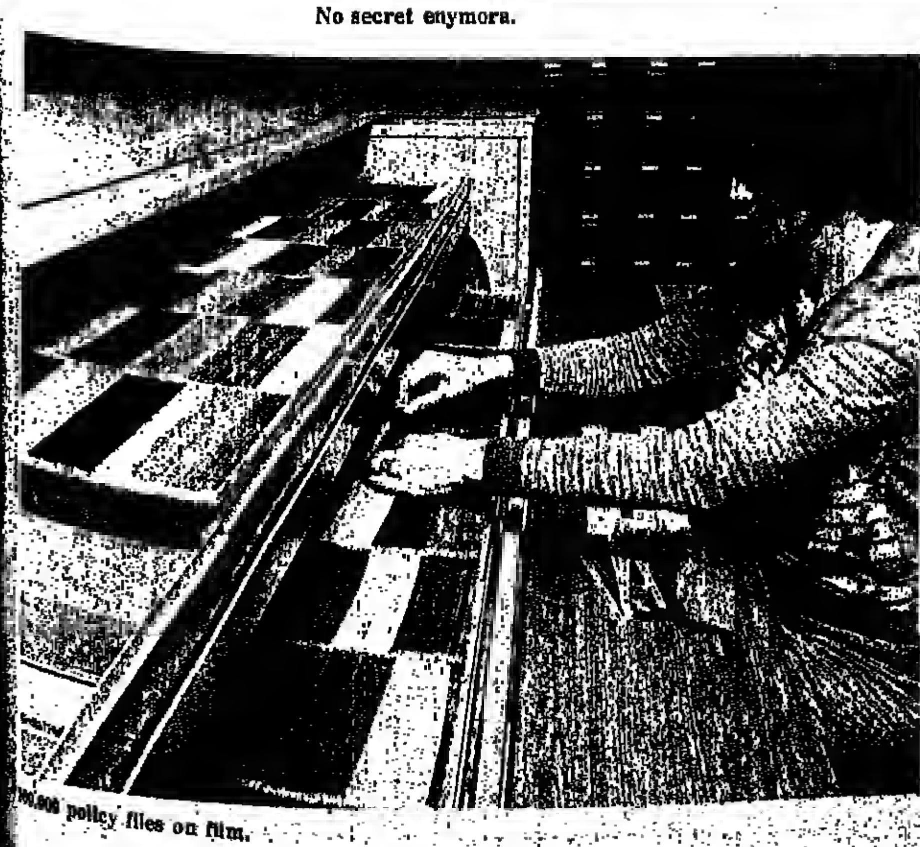
The company stores much of its confidential policy information in unnamed microjackets, and has its own facilities for filming, duplicating and, of course, reading.

The micrnjacket system enables Norwich Union to store 100,000 policy files in u space smaller than n dining room table.

In its fire insurance department, what once added up to 6000 line-flow pages a month is now down to a handful of fiche.

"It's certainly cut down the storage space" aald Colin O'Neil, "but it's the economy of the system that attracta ua most — and it's getting even cheaper".

No secret enymore.



...000 policy files on film.

At last - dual micro cartridges makes N.Z.

MICROFILE recently imported the first consignment of these Tuacan duel micro cartridges. The new 'SnepLOCK's' fil both 3M and Kodak Microfilm reader-printers, and cosl no more than conventional cartridges.

Microfile to reveal new range at Topic '79

MICROFILE'S complete new range of Micron reeders and reader printers will go on display for the first time when TOPIC '79 opens in Auckland.

Microfile have taken a stand et the axhibition to introduce its latest wares, and to launch the newly-imported Tuscan dual micro cartridge.

The stand will feature filing systems and a 15 minute slide presentetion.

STOP PRESS

MICRON will use next month's Netional Micrographics Association Conference in Atlatnta Georgia to launch its new dry silver reader-printer.

Microfile is already considering the new product in terms of the New Zealand market.

(Advertisement)

Choosing a Reader or a Reader-Printer

By Charles H. Robertshaw, Micrographics expert

THOSE responsible for selecting readers and reader-printers often think they can choose from a large variety of devices that may satisfy their requirements. But as you may already know, there are only two readers that are capable of meeting that objective. One is the reader that the vendor claims is the universal model — the ultimate in the latest equipment and the other is the reader that we are looking for.

In relating that thought to microfilm equipment choices, I believe that the best reader for you is the one that you determine best meets your needs.

Determining your needs simply means analysing your proposed or present microfilm system as to:

1. The type of microfilm input — aperture cards, reel or microfiche;
2. The reduction used for the film image; and
3. The image size desired for display on the screen or as paper print, that is, full or three quarter size magnification.

Since microfilm readers and printers are available in several sizes, with various magnifications and screen dimensions, selection of the right reader can be accomplished by using the charts shown in Figures 1 through 4.

Figure 1 serves as a guide when the input microfilm is either an aperture card or a 24X microfiche. Either microform can be used in any of the readers shown. For aperture cards containing large documents that are filmed at 18X, 24X and 30X it will be necessary to scan the microform. For 24X reduced fiche, two pages can be displayed in either full or reduced size depending upon the lens magnification and screen size.

Figure 2 provides guidance when the input microfiche is a 48X reduction. A reader with an 8-½ — 11-inch high screen and a 48X magnification is the correct choice if the microfiche is generated in a single page format. If the array is made up of computer print out size, the 11X14inch screen reader with a 48X magnification displays a full size document image, whereas the 8-½-X 11inch wide screen reader with 36X magnification will show a three quarter size image of the standard size computer printout. Since the character height on computer printouts is normally 0.1 inch, the three quarter blow-back is sufficient to assure legibility.

Magnifications and paper print sizes associated with reader-printers are shown in Figures 3 and 4. The National Micrographics Association microfiche format Type 1 provides for 98 images of 8½X11inch documents reduced 24 times. If the same size document is reduced 48 times, the microfiche can contain up to 420 images as shown on the Type 6 format. On Figure 3, the reduction and magnification are the same, so that the microfilm image is enlarged to full size on page size paper.

Figure 4 covers NMA Types 3 and 7 formats for 11X14 inch computer output pages. At 24X reductions, the fiche may contain up to 63 images, while 270 images can be recorded at 48X reduction. In order to reproduce these images on 8½X11inch paper, the magnifications of 18X and 36X respectively, are used. The reproduced images, however, will be only 75 per cent of full size. A note of caution here, the 18X magnification is only suggested if the character front is all of upper case letter size. Lower case character size will be slightly below the character height recommended to assure legibility.

Once your basic requirements have been established, you should consider the user environment. For example, a portable unit is appropriate for quick reference to microfiche outside the office location, whereas a desk top model is suitable for office viewing of reels, aperture cards or microfiche. On the other hand, a large console type will be required in a file reference area where a combination of microforms is used.

Next, in order to assure yourself of the requisite quality of a reader or printer, it is necessary to establish certain acceptance criteria against which to test the performance of the device. Keep in mind that the most important function of the unit is to display a legible high quality image which in turn will encourage rather than discourage microfilm use.

Now let us examine some of these characteristics and related test procedures available for evaluating a reader:

ILLUMINATION. Screen illumination should be uniform, free of bright areas and should provide satisfactory contrast with the projected image.

MAGNIFICATION. Precise projection of the film image through the optical path to the reader screen is accomplished by the use of the proper lens with the correct magnification. Various methods are available for measuring the magnification on a reader screen, the most common is employing a chart that contains known linear dimensions. A microfilm image of the chart is projected on the reader screen after which a scale is used to measure and determine the magnification. Based on our own experience, we have established that the smallest displayed character height should be no less than 1-10 of an inch. In order to meet this requirement, we have concluded that for a 24X reduced image the minimum magnification should be a nominal 20X. An exception to this rule is allowed where COM characters are all printed in upper case letters. In this case we permit 18X. At a 42X reduction, we suggest a magnification minimum of 31X, and at 48X reduction, the minimum magnification should be 36X.

RESOLUTION. A term used to describe the ability of the microform process to record the fine detail of the information on film. The measuring objective is to view a microimage of the chart under a microscope and determine the smallest pattern in which the lines can be distinguished in both the horizontal and vertical directions.

For checking reader screen resolution, the same procedure is followed except that the test chart is viewed on the reader screen. The patterns are inspected for line separation with the aid of an eye loupe (5X magnification) or a magnifying glass. We have established a requirement of a minimum 2.8 lines per millimetre for screen resolution. In order to meet this requirement, the 2.8 pattern at a 24X reduction has to be resolved at 24X magnification.

On a 48X test chart, the ... pattern at 36X magnification and the 2.8 pattern at 48X ... be resolved.

LENS FIELD. Should be such that the viewing area will be completely filled without any distortion. For example, when defects are present, a straight line on the film projected on the screen ... distorted. The amount of distortion present increases at higher magnifications.

SCREEN. The screen should be scratch free and treated to reduce reflection from ambient illumination. If the reader is used for a variety of applications, the screen size should accommodate the largest image, except where scanning is acceptable.

FOCUS CONTROL. After the projected image is focused on the screen, it should remain in focus when the image is scanned from frame to frame on a microfiche. The most common procedure for checking the focus mechanism is to locate the A1 frame on the microfiche, focus it and then move the fiche diagonally to the opposite corner. The fiche is then moved in the vertical and horizontal directions. If the image does not remain in focus, the reader should not be considered acceptable.

(Advertisement)

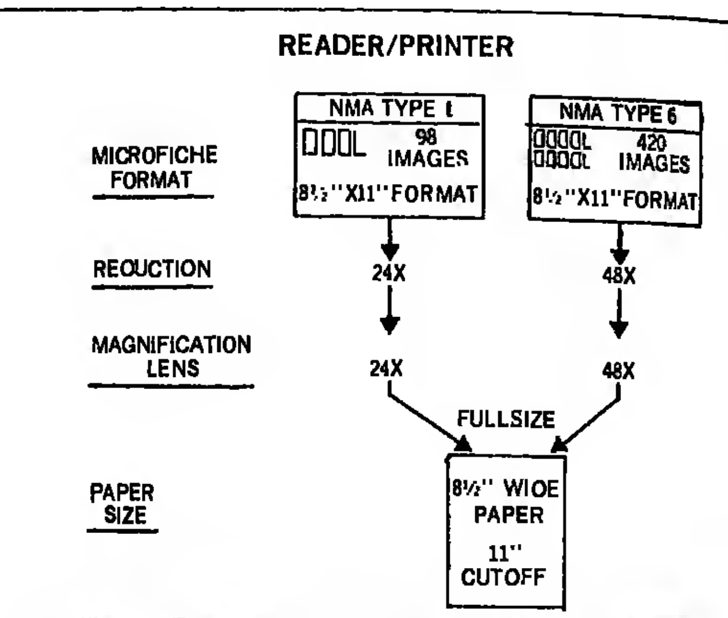


Figure 3. The reduction and magnification on this reader-printer are the same, so the microfilm image is enlarged to full size on page size paper.

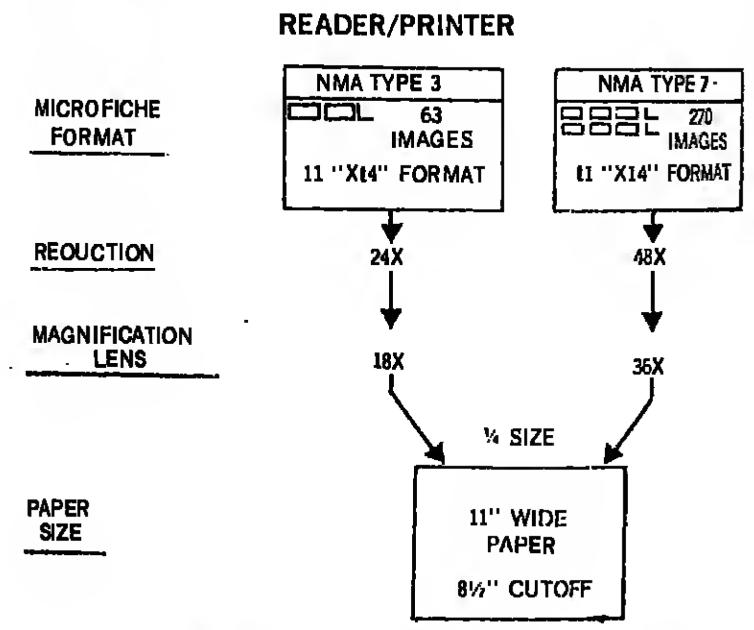


Figure 4. NMA Types 3 and 7 formats for 11- X 14-inch computer output pages.

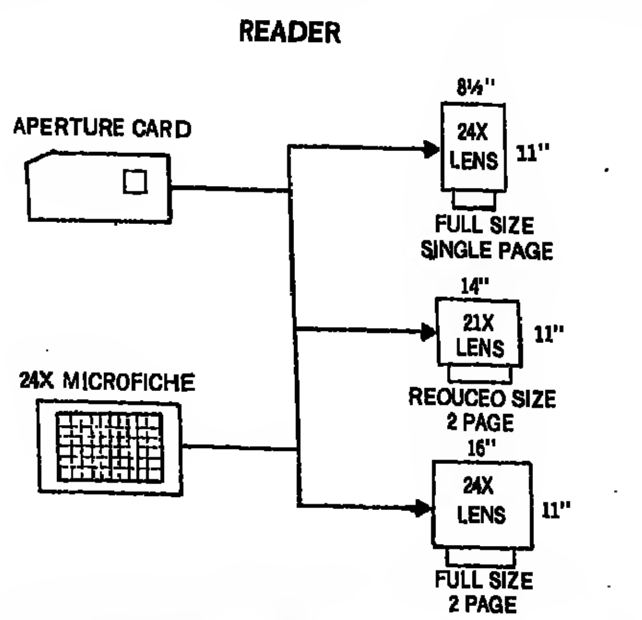


Figure 1. Selecting a reader when the input microform is either an aperture card or a 24X microfiche.

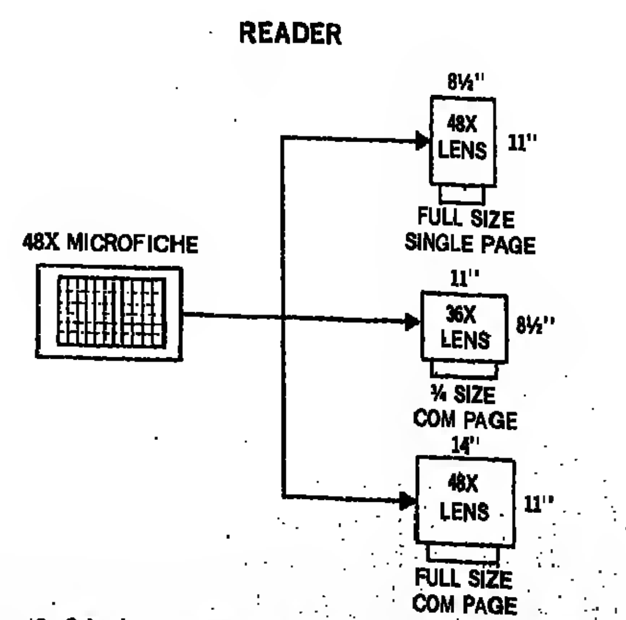


Figure 2. Selecting a reader when the input microfiche is a 48X reduction.

Training to be COM a good user

COMPUTER output microfilm (COM) is rapidly assuming a bigger role as a means to provide data to end users.

Unfortunately, many new COM systems are designed and implemented with little notice given to the key area of user training.

SYSTEMS ANALYSIS

Training users on the proper use of COM doesn't begin and end with the arrival of viewers. Instead, it is a long-range process that commences with the initial efforts of the project leader to determine the need for a COM system and to justify costs.

The individual assigned responsibility for identifying applications to be converted to COM — whether an internal systems or operations analyst or an outside consultant retained to conduct a feasibility study — has the opportunity to pinpoint specific problems that need to be considered in the training program.

- How is the report used?
- Do the clerks respond to customers on the phone?
- Do they write on the report?
- How much is stored at the desk and how much is stored in the store rooms?

Assuming that COM is selected and work has begun to convert applications prior to the installation of equipment, it is now the time to begin educating users about COM. This does not have to be an in-depth education as much as a general awareness of what COM is.

Frequently, this can be done with literature. A number of vendors, the National Micrographics Association and various trade publications offer booklets, articles and reprints designed as an introduction to COM.

The formal phase of the training program should be timed to coincide with the implementation of the application.

This phase must be conducted in a formal way — not with a few words at a clerk's desk.

Limited groups to those involved in using the same applications and, if necessary, split personnel into smaller sessions of no more than ten persons.

The basic outline of this training session should include: Why the company is installing COM.

Don't be afraid to identify the potential dollar savings that will be enjoyed.

It is important to assure new users that their COM system is beneficial and easy to use, not a ploy to make their lives more complicated.

Describe the COM system. COM is more than microfiche delivered to a user department in a neat little envelope. Give users a brief overview of the COM production process — from the generation of the data on the computer through the delivery of the fiche to their departments.

If COM is being produced by an outside service organisation, explain how the service works.

INDEXING Once users have been informed of the COM process and the operation of their COM system, the next logical step is to make users familiar with fiche, particularly the indexing.

First, describe the areas that are visible to the naked eye. These include the master titling across the top — such as the report title, run or system date, and the fiche sequence number. Other items might be the fiche break field, the column indexing or the column break fields.

Now, illustrate the case of finding information by selecting a fiche and column in which required information resides.

USE OF READER

A microfiche reader is a simple design—some mirror a light bulb, a lense and a fiche holder. Go through every point of the device with them.

Every new reader is accompanied by a brochure on its use. Users should get a copy and read it.

Finally, instructions on the use of the viewer should be concluded by giving users an opportunity to actually retrieve data — based on what they have learned about the fiche and the viewer.

While formal instruction is essential, it is only after users start working with COM on the job that they can become fully familiar with COM and how to use microfiche most effectively.

COM can be an efficient output medium not only to reduce paper waste and storage space, but also to speed up user efficiency. With proper training, COM can overcome microfilm's stodgy image of just being an archival device. Instead, more and more data processors will be able to capitalise on COM's most significant role — as an active, retrievat information system.

(Advertisement)

What to look for in a COM services bureau

by S Arnold Kober
Pfizer Inc.

S ARNOLD KOBER is a senior micrographics systems analyst at Pfizer Inc., New York City.

"I wish I knew what to look for in a COM Service Bureau."

Sounds familiar?

Hopefully even the service bureaus can use the information in this article to up-grade their conditions where applicable and offer us, the users, more efficient and effective services.

First of all, these questions will fit just about any situation.

Secondly, this check-list is not all encompassing.

At this point I would like to define what a service bureau is — and is not. To do this I will rely on Mr George Harman's definition as stated in his article "A Service Bureau — How to Select One". A Service Bureau is . . . "referring to those organisations which make microfilm copies for our customer using his original material."

After all these questions are answered satisfactorily, all the selection criteria have been collated and all the service bureaus have responded to your "Request for Proposal", then a matrix should be set up and the old standby, a subjective point rating, should be assigned to each criterion. The Service Bureau receiving the highest point sum should be the one you choose for your applications. I emphasise "should be", because this may be misleading since it is very difficult to qualify all criteria. So then, maybe some of the points may need to be massaged.

I also have included a "report card" technique by which you can rate your Service Bureau once you've made your choice.

I. PERSONNEL
Is the salesperson knowledgeable and does he relate well to customer problems?

II. EQUIPMENT
What type of equipment does the Service Bureau have?
What about backup equipment?

III. PHYSICAL CHARACTERISTICS AND LOCATIONS
Does the physical layout of the service bureau look organised?
How convenient is the Service Bureau to your location?
How long has the Service Bureau been established in the area?

IV. QUALITY
What are the quality control steps?

V. CAPABILITIES
Can the service bureau meet your specific requirements?
Will the Service Bureau respond in writing to your Request for Quotation specifications?
What is the Service Bureau's volume? (16 mm to 105mm or any other comparison) volume you want to match
Is the Service Bureau a full-line Service Bureau, i.e. does it sell accessories, equipment as well as perform COM operations?
What is the "depth of service", i.e. the programming capabilities, quality checks etc?
Is the Service Bureau capable of offering a facilities management or similar programme?

VI. SYSTEMS ASSISTANCE
Can assistance and guidance be given to design the microfilm systems?
Will they train your personnel if you go into an in-house operation?

VII. APPLICATION REQUIREMENTS
Are special type, characters, lower case or upper case, different front styles needed for your COM format?
What types of applications could be given to the Service Bureau at this point of time?
Will the Service Bureau perform evaluation tests for initial or other applications?

VIII. FINANCIAL STABILITY
What is the financial condition of the company? If a subsidiary, what is the parent company's status?
Can you get a copy of the financial statement?

X. COSTS
Will the Service Bureau charge for pickup and delivery?
What are the service and maintenance contracts available?
What is the breakdown of costs such as per frame, fiche (master and dup) etc.?

XII. VOLUME
What is the starting volume of the report(s) you're putting on COM?
What will be the volume at 6 months? Twelve months? Per week? Per month? Annually?
Can the Service Bureau handle the volume on your required basis?
What is the turnaround time?

(Advertisement)

Economic decline favours National in Wairarapa

by Allen Levett

ON 1978 election day in the Wairarapa, Labour Party workers found empty houses where known supporters had been earlier located by canvassers. In one street in Masterton there were six such vacant houses.

This was symptomatic of the economic decline in the Wairarapa, a decline the National Government seemed unwilling to halt with regional development assistance. Since 1975 there has been a higher-than-average unemployment rate and a greater fall-off in major industries than in New Zealand as a whole.

Yet in the 1978 election the swing against the Government in the marginal Wairarapa seat was less than half that in the rest of the country. National held the seat with a majority of 837. Social Credit gains there were less than throughout New Zealand.

In short, there was less dissatisfaction with the Government, despite the evidence and experience of regional decline.

Such a decline is supposed, by the conventional wisdom, to have caused the swing to Labour in the South Island last year. Yet, apart from Wairarapa, and some North Island electorates, including Gisborne and New Plymouth, the move against the Government was not as great as in the cities where the building industry was still struggling on and jobs were still being advertised.

The explanation for this paradox is that in the Wairarapa, some of the people forced to the wall left the district in search of work. Meanwhile, others became better off and could see no reason to be dissatisfied with the Government.

According to the Labour Department's half-yearly survey of the Masterton Employment district, which includes all of the electorate, there was little change in the overall size of the Wairarapa workforce between 1975 and 1978—but there were some dramatic shifts within it.

The number of fulltime jobs fell by 72, but part-time positions rose by 179. However, that figure is deceptive. Jobs for men fell by 190 and those for women rose by 297. If most of the women's jobs were taken by married women, it means there were fewer households in Wairarapa in 1978 than 1975.

My guess is that most of the female jobs were for married women, partly because of the growth of part-time work and partly because of changes in the employment patterns in the district.

In both factories and retail stores where part-time female work increased, managers told me they preferred to employ married women. The work was not highly skilled and flexible hours could often be arranged. Older, married women are steadier workers and more reliable employees, I was told. As the economy staggered downhill and unemployment grew, employers could afford to be more selective in this way.

One major cost of this preference is youth unemployment, and Wairarapa has rates that are substantially above the national average. The biggest shifts in the workforce occurred in the construction industry and in the category called community and personal service. Construction lost 224 workers (all male) and services added 436 (three-quarters female) over the three-year period.

In the construction industry largest losses were among carpenters. Their numbers fell from 312 in 1975 to 172 in 1978, a net loss of 144, or nearly half.

The additional 80 positions dropped in this industry included all types of construction workers—drivers, clerks, labourers, working proprietors and 12 other skilled workers.

Community and personal services includes central government and local authority administration which were the major employers of male and female temporary workers in the Wairarapa. This category is partly inflated in an artificial and short-term way.

The services also include schools, which saw striking increases among female teachers (probably mostly married women); hospitals; the surgeries of doctors and dentists and their receptionists; and cleaning work.

These particular population trends—the loss of skilled workers and the increase in part-time female work—had two major effects on voting patterns in the Wairarapa last year.

First, skilled tradesmen are among the staunchest supporters of Labour. It was their houses that were found empty on election day. The exit of these men and their families from the district meant fewer votes for Labour in Wairarapa.

But where did they go? Probably to the cities, where there were still jobs for skilled workers, and where on election day, Labour made its modest gains.

Second, among the people who remained in the Wairarapa were some who were better-off than they had ever been. These were the new two-income families resulting from the increased job opportunities for married women. They had little reason to change the government and would vote National or Social Credit.

On the hustings these people were the most difficult to persuade that the country was undergoing an economic recession. They did not understand why others could not get jobs, and they were unsympathetic to all recipients of state money: farmers as well as solo mums, freezing workers as well as the unemployed. That was the source of some dissatisfaction with the Government, from which Social Credit benefited.

The comparative wealth of the two-income families profited others in the district also—certain retailers and merchants for example—and provided the means for sustaining their similar outlooks on politics.

The Heylen-National Business Review post-election survey asked people to classify themselves by occupation. The group "clerical-sales-service" turned out to be over-represented among new Social Credit and new National voters, and these two parties both obtained strong support from housewives.

Another category also likely to be included in the new two-income family group was "manual worker, labourer, semi-skilled". These people were found less frequently than expected supporting Labour and often had become "new National voters".

On the other hand the survey found very strong support for Labour among skilled workers (NBR Dec. 20, 1978).

In a polling booth breakdown the picture is confirmed. Dissatisfaction with National was much less in the Wairarapa towns where the part-time jobs are, than in the rural areas. National's share of the vote dropped 3.7 per cent in the towns and 9.2 per cent in the rural booths.

The only exception to the pattern among the five towns was in Featherston in south Wairarapa, where National dropped 7 per cent and Labour gained a hefty 5.6 per cent two-party swing. Featherston is more an outer suburb of Wellington than a Wairarapa town, 500 people crossing the Rimutakas every day. The voting results suggest that where people work is more important in affecting voting preferences than where they live.

The pattern seems clear. Economic growth in the Wairarapa has favoured Labour, while economic decline has favoured National.

In the 1960s a new Labour-voting work-force moved into the Wairarapa to staff growing manufacturing in the towns. Coupled with the decline in the rural communities this helped elect a Labour MP in 1969 for the first time since 1946.

The decline in the 1970s has produced a drastic increase in inequality: some families and young people were driven to the breadline, and a proportion of them, including Labour-voting skilled workers, left the district. Other families who stayed were better off than they had ever been and could not understand what the fuss was about.

Thus the scales have tipped back to National as work opportunities have declined in the towns. Regional stimulation could easily reverse the pattern. Yet without it, dissatisfaction with the Government will continue to grow. There's the rub for National.

CHANGES IN WAIRARAPA WORKFORCE 1975-1978

Industrial groups	Oct 1975.	Oct 1978.	Difference
Forestry, Logging, Mining and Quarrying	94	129	+35
Manufacturing	3487	3480	-7
Electricity, Gas and Water	209	199	-10
Construction	694	670	-224
Wholesale, Retail	2406	2356	-50
Transport, Communication	1007	947	-60
Finance	642	629	-13
Community and Personal Service	3545	3981	+436
	12,284	12,391	+107

JOBS . . . More part-time work for women; fewer full-time jobs for men.

Dr Allan Levett, the writer of the above article, was Labour Party Wairarapa candidate in the election last year. He was formerly senior lecturer in sociology and Asian studies at Victoria University of Wellington

Energy consultants juggle tariffs to cut bills

by Warren Berryman

ENERGY conservation has become something of a national obsession for New Zealanders.

For the ecologist it is seen as a keystone in our economic and environmental future. For Government it is a thumb on the balance-of-payments scale. For industrialists, faced with a 60 per cent electricity price hike, it is the key to survival.

But for the industrialist, energy conservation and cutting back on the company energy bill are not one and the same.

New Zealand's tortuous electricity tariff structure makes it possible for a firm to achieve substantial savings in electricity costs by wasting energy and using more power than required.

National Utility Services, a 46-year-old New York-based energy cost consultant with branches worldwide, make their money where most businessmen fear to tread — in the tariff jungles established by energy supply authorities.

The firm is paid by results — 50 per cent of the amount it can knock off the client firm's energy bill.

The Australian branch, NUS International Pty Ltd, started operating in Australia and New Zealand in 1966. It now serves 750 industrial and commercial clients in New Zealand and 35,000 locations throughout Australasia.

NUS specialises in analysing the price structure of electricity, petroleum products, gas, coal and so on and advises its clients how to get the lowest possible unit cost for energy purchased.

It does this by developing an energy profile on a month by month basis of a client's operation with an in-depth study of the client's paid bills.

NUS claims its expertise lies in three areas;

● An intimate knowledge of the energy suppliers and their problems of supply, and how they are prepared to interpret their rules and regulations to meeting individual consumer needs.

● Access to comparative information between client companies in similar circumstances.

● The policy of running month-by-month audit controls to make sure the clients costs are in direct relationship with energy received.

NUS advises clients how best to deal with the supply authorities and then stands back and lets the client correspond directly with the authority on its own letterhead.

For the most part, savings are made by fossicking about in the tariff jungle for the best possible rate.

But a NUS spokesman said that since the oil crisis, NUS had begun to concentrate its expertise increasingly on energy conservation. In this capacity its expertise has been sought by Government departments in a number of countries, he said.

Examples of clients successes in cost-cutting:

● A New Zealand engineering firm was shown how it could pay less for electricity by wasting it, using more than required, to qualify for a lower unit cost. Advised by NUS, the client negotiated an alternative tariff with the supply authority. The authority still insisted the client pay for the electricity it did not use. Still, the savings came to $7000 a year.

This, according to a NUS spokesman, "represents poor tariff design which penalises the economy of the country as well as the supplier and in the end the consumer.

"Several electricity suppliers in Australia and New Zealand still provide block tariffs where the more energy a company consumes the cheaper the energy becomes. This type of tariff actually promotes the wastage of energy and even worse encourages wastage during the peak period further reducing the system load factor, requiring massive expenditure on new generation equipment.

"A classic example of out-of-date tariffs in New Zealand would be those where consumers are arbitrarily divided into either commercial or industrial categories. Many commercial consumers have a higher load factor than the average industrial consumer.

NUS was recently able to negotiate an industrial tariff as a special arrangement for a commercial consumer with a reduction in cost to that company of approximately 24 per cent a year," he said.

● A television station was able to negotiate a tariff reclassification from commercial rate to cheaper industrial rate on the grounds that it was involved in the production of goods — fin...

● After investigating the energy use of an Auckland based company NUS was able to point out that a minor change in operating pattern within the company would enable the application of an established tariff which produced savings to exceed $20,000 a year for the company.

Cost experts attack electricity price hikes

NUS International Pty Ltd, part of the National Utilities Services energy consultancy group, took on Rob Muldoon when he announced the massive electricity price hikes in February and maintained that New Zealand's electricity was cheap by world standards.

Drawing on his firm's international experience, NUS managing director Patrick O'Hare said this country's average electricity prices were fourth highest for developed nations, after Belgium, the Netherlands, and Germany.

The proposed increases would make Christchurch the dearest city in the world for electricity, O'Hare said.

"At a time when New Zealand industry is finding it difficult enough to compete on world markets, major electricity cost increases of this order would have a devastating impact," O'Hare warned.

Less than a month after announcing the electricity price hike Muldoon backed down a step or two at the opening of the Kuriel pulp mill — an export venture dependent on electrical power.

Muldoon said his Government was aware of the short-term effects the price increases would have on energy intensive industry and said a form of temporary relief was under consideration.

The other day O'Hare commented on this new Government stance: "The New Zealand Government's proposed incentive plan to financially relieve major industrial exporters with a high electricity content in their produce ought to pave the way for a radical restructuring tariff programme designed to benefit all consumers and conserve energy.

"The Government now has the opportunity to lead the world by introducing electrical tariffs so structured that they would encourage responsible energy saving use of power by consumers, without loss of income to suppliers.

"The Government is moving in the right direction by planning incentive relief for major industrial electricity users to cushion the substantial power increases due in May but this should only be the beginning.

"In many countries, and especially in Europe, it is now being recognised that by offering positive price incentives to industry to employ power in carefully-orchestrated non-peak periods, greater efficiencies can be achieved, the economy is better served, and energy on a national scale is conserved."

If the New Zealand Government was sincere in its reported moves to provide incentive relief for major exporters using high volumes of power, it should take the matter further by carrying out a full-scale review of the electricity tariffs.

O'Hare cited the following examples of how tariffs operated in other countries.

● In England, consumers have the option of selecting maximum demand tariffs based on monthly demand at a constant price per KVA or seasonal maximum demand tariff with corresponding higher KVA charges during the peak winter months.

● In the United States consumers have a choice between tariffs based on 15 to 30 minute maximum demand recording period.

● In France, the consumer is required to designate at the commencement of the calendar year his maximum demand requirements during on-peak and off-peak periods.

Financial advantages and disadvantages apply to consumers both below and above their designated maximum demand and these types of tariffs could be used by the New Zealand Government to improve energy conservation, O'Hare said.

Because New Zealand has a composite of the problems of peak winter maximum demand — shortages of generating capacity and the problems of start-up surges in the system, tariffs should be introduced that will give sufficient financial incentive to the consumer to ensure every effort is made to progress to the more advantageous tariffs.

Power surplus wastes itself haunting officials

by Warren Berryman

THE New Zealand industrial exporter has precious little going for him in the international comparative advantage stakes.

High freight rates, both internal and external, push up prices for his raw material inputs and add to his export prices. Penalty taxation and the smothering burden of bureaucracy constrict his profits.

Then there is the problem of high wages and zero productivity growth.

Cheap electrical power was the local industrialist's prime advantage over his overseas competitors — till PM Muldoon announced a 60 per cent increase in the bulk rate in February to follow the 1977 40 per cent increase.

Businessmen can be excused for their cynicism and reluctance to jump on Government's energy conservation bandwagon as it becomes increasingly clear that the sacrifices they are asked to make are only subsidising bureaucratic mistakes.

Despite Governmental propaganda to the contrary, New Zealand has no energy shortage.

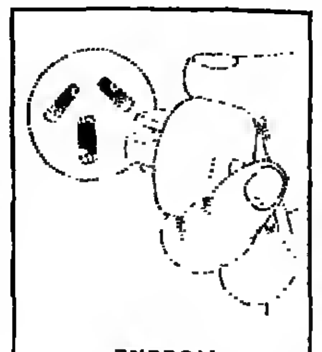
The NZED over-estimated future electricity needs by 30 to 58 per cent which, while it might have justified the NZED's empire building and overseas borrowing to finance new power stations, leaves the public with a huge bill for power stations that will not be used in the forseeable future.

The NZED's 1978 annual report shows an increase in power supply of 1.7 per cent over the previous year. It also shows staff increases of 222 for established positions, 384 for contractors, and 162 for trainees, bringing the total staff involved from 9752 to 11,602 in that year.

The NZED's capital liability account increased from $1,561 million to $1,839 million over the same period.

Some of this money (much of it borrowed overseas) went to finance the Marsden B power station. This $113 million white elephant is not yet completed, and when completed it is likely to be mothballed as it is not needed.

Marsden B was to be fired with imported oil. Putting it into mothballs will save on imported oil — but the public still has to repay the foreign loan to Japan.



Other thermal power stations are being run at far less than capacity which poses a further problem; maintenance costs.

So great were the NZED's overestimates that they are now spilling cheap hydro power over the dams to use surplus gas that Government has not planned a use for.

New Zealand's industrial advantage lies in it's cheap hydro and geothermal power. But early this month the Broadlands geothermal development was deferred because the country has too much electricity.

But a surplus does not mean cheaper prices for the consumer. That might make New Zealand exports more competitive, boost overseas exchange earnings and help pay for imported oil upon which we still depend as so little has been done to convert transport to natural gas. As well it could pay for the NZED's imported generating equipment that we do not need.

Or does it! Muldoon backed down on the 60 per cent price hike less than a month after its announcement, saying certain heavy users might get concessions.

The forestry and pulp and paper industry has a heavy energy requirement. It uses about 24 per cent of the country's power.

Government has a substantial investment in Tasman Pulp and Paper. There is also the political consideration as forestry employs thousands of voters.

Perhaps the end result of the 60 per cent increase will be that only those industries lacking in political clout will pay it.

When this becomes the case political considerations and the maintenance of power will replace sound economic parameters in yet another aspect of the businessman's decision making process.

On the other hand the 60 per cent increase might be an incentive for industry to convert to gas. If this is Government's intention Government might find itself up against a business community unwilling to invest in gas conversion in a climate in which Government so capriciously changes the economic parameters at will.

The economic planners behind the electricity price hike are the same officials who delayed the Marsden Point refinery expansion while costs escalated from $65 million to more than $300 million.

These are the same officials who in their zealous efforts to protect New Zealand from the ravages of free enterprise killed this country's only real chances of discovering oil.

Foreign oil exploration expertise was replaced by State-owned Petrocorp. Petrocorp has done little except rack one costly mistake on top of another.

Undaunted, Petrocorp precluded free enterprise from the petrochemical industry based on Maui and Kapuni gas, and took it over themselves.

The proposed urea plant promises to accomplish little except convert a surplus of gas into a surplus of unsaleable urea — at a cost to the public of more than $ 70 million.

Nevertheless the public has been protected from free enterprisers who wanted to drill for oil and gas at their own risk (not the public's) and from private exploitation of natural gas.

The energy user will be asked to pay for the "capital costs" involved in energy production — including costly mistakes made by the Petrocorp board which appears short on experience in exploration or petrochemicals.

The true energy costs might be further hidden from the end user in a morass of bureaucratic reshuffling.

The unpublished version of former Energy Minister George Gair's Goals and Guidelines suggested that this country's 61 electricity supply authorities amalgamate to form energy authorities selling both electricity and gas.

It was strongly critical of the NZED, its overestimates, and the electricity supply situation.

It said: "Despite some progress with amalgamation in the past, there are still 61 electricity supply authorities of various kinds, and the Municipal Corporations Act 1954 permits a proliferation of gas undertakings.

"The existing arrangements do not make the best uses of such scarce resources as skilled labour, and the unnecessary addition of further organisations would be contrary to the best interests of consumers the industry and the nation."

But Gair deleted these comments from the published version, which was promoted as a catalyst to public discussion, contained some good examples of misleading statistics and political bias, but nothing new.

Gair reserved the electricity supply amalgamation argument for a speech to the Municipal Supply Authorities Association last July. He said then that amalgamation of electricity and gas supply authorities would lead to increased efficiency.

He did not mention the fact that this move would also hand more control of the country's energy supply to the state, and enable Government to disguise and subsidise past bureaucratic blunders.

So Export Year closed with a Government effort to make struggling New Zealand exports even less competitive in the international marketplace.

The balance-of-payments deficit could be markedly improved by converting this country's transport fleet to CNG. But once again import licences on conversion equipment plus a 25 per cent import duty and 20 per cent sales tax on this equipment is a disincentive to convert to this indigenous product.

The problem is an energy surplus not a shortage. And the bureaucrats won't relinquish control of terms and prices that might mean profit to the private producer.